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Transcript Exhibit(s)

Docket #(s): WS-01303A-02-0867

WS-01303A-02-0868

WS-01303A-02-0869

WS-01303A-02-0870

W-01303A-02-0908

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Exhibit #: R1-R8, R10-R12, S1, S2  
S4-S8, S11-S24

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## DISPOSITION OF ORIGINAL EXHIBITS

### HAND DELIVERED

January 9, 2004

WS-01303A-02-0867  
WS-01303A-02-0868  
WS-01303A-02-0869  
WS-01303A-02-0870  
W-01303A-02-0908

Ms. Teena Wolfe  
Administrative Law Judge  
ACC - HEARING DIVISION  
1200 West Washington, 1<sup>st</sup> Floor  
Phoenix, AZ 85007

Arizona Corporation Commission  
**DOCKETED**

JAN - 9 2004

DOCKETED BY	<i>AKC</i>
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Case: Arizona-American Water Co.  
Number: WS-01303A-02-0867, etc.  
Dates: December 4, 5, 8 through 12, 22, and 23, 2003

Dear ALJ Wolfe:

With copy of this letter the original exhibits in this matter have been distributed, as follows:

Docket Control	A-1 through A-80, A-82 through A-102, and A-104 H-1 and H-2 RUCO-1 through RUCO-8, and RUCO-10 through RUCO-12 S-1, S-2, S-4 through S-8, and S-11 through S-48 SH-1 Y-1 through Y-6
Returned to Applicant	A-81 and A-103
Returned to Staff	S-3, S-9 and S-10

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Arizona-American Water  
WS-01303A-02-0867, etc.  
Distribution of Exhibits  
01-09-2004

Exhibits Nos. A-81, A-103, and S-3 are being returned to the Applicant and Staff, respectively, because they were withdrawn.

Exhibits Nos. S-9 and S-10 are being returned to Staff because they were not moved for admission on the record either inadvertently or by design.

We did not check out the Docket File.

Please let us know if you have any questions or if we may be of any further assistance.

Very truly yours,

Marta T. Hetzer  
Administrator/Owner

Enclosure

Copy to: Arizona-American Water  
AUIA  
Docket Control  
Frank Grimmelmann, Intervenor  
RUCO  
Staff  
Sun City Taxpayers' Assoc.  
Sun Health Corp.  
Town of Youngtown

**COPY FOR YOUR  
INFORMATION**

**EXHIBIT**

*R-1*  
*Admitted*

**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-02-0867 et al.**

**DIRECT TESTIMONY**

**OF**

**TIMOTHY J. COLEY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**SEPTEMBER 5, 2003**

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**INTRODUCTION**

Q. Please state your name and business address.

A. My name is Timothy J. Coley. My business address is 1110 W. Washington, Suite 220, Phoenix, AZ 85007.

Q. By whom are you employed and in what capacity?

A. I am employed by the Residential Utility Consumer Office (RUCO) in the position of Public Utilities Analyst V.

Q. Briefly summarize your educational and professional credentials related to your work in the field of utility regulation.

A. I have a Master Degree in Public Administration and Bachelor of Science Degree in Business Management and Administration. I am currently working on my Post-Baccalaureate Certificate in the Accountancy Program at Arizona State University – West. My utility experience includes nine combined years in various utility auditing and rate analyst positions with RUCO and the Georgia Public Service Commission.

Q. Have you previously testified in rate proceedings before the Arizona Corporation Commission (ACC)?

A. Yes, I have previously presented testimony regarding revenue requirements in rate case proceedings before the ACC.

1 Q. Please state the purpose of your testimony.

2 A. The purpose of my testimony is to present findings and recommendations  
3 resulting from my analysis and review of Arizona-American Water  
4 Company, Inc. ("AZ-AM" or "Company") Rate Application for a permanent  
5 rate increase. The Company is comprised of twelve individual water and  
6 wastewater systems in Arizona. AZ-AM has filed for rate increases in ten  
7 of its twelve districts. My analysis will specifically focus on the Mohave  
8 and Havasu water districts that provide water services in Mohave County.  
9 RUCO witnesses Marylee Diaz Cortez and Rodney Moore will present the  
10 Company's other eight systems. RUCO witness Bill Rigsby will sponsor  
11 the cost of capital and capital structure issues.  
12

13 Q. Please briefly describe RUCO's work effort that provides the basis for  
14 RUCO's recommendations.

15 A. RUCO performed the following procedures to determine whether  
16 sufficient, relevant, and reliable evidence exists to support the financial  
17 data and claims in the Company's application: reviewed and analyzed the  
18 Company's application and supporting work papers; reviewed all other  
19 intervenor's data requests; prepared written data requests and evaluated  
20 the Company's responses; and reviewed past ACC decisions.  
21  
22

1 Q. What test-year did the Company use for the rate application?

2 A. The Company used a historical test-year that included the calendar year  
3 twelve months ending on December 31, 2001. RUCO's recommendations  
4 reflect the use of the test-year ending December 31, 2001 that adheres to  
5 the historical test-year to achieve consistency.

6  
7 RUCO would urge the Commission to deny the Company's rate request  
8 altogether, for the reasons set forth in the testimony of Mr. Moore and Ms.  
9 Diaz Cortez. If the Commission does not deny the application, RUCO  
10 recommends the adjustments be made that are within my testimony.

11  
12 Q. What areas will you address in your testimony?

13 A. I will address rate base and net operating income issues as well as  
14 sponsor RUCO's recommended revenue requirements for the Mohave  
15 and Havasu water districts.

16  
17 Q. Please identify the Exhibits you are presenting in your Direct Testimony.

18 A. I am presenting Schedules TJC-1 through TJC-16 for Mohave and Havasu  
19 water districts.

1 Q. Please summarize the recommendations and adjustments addressed in  
2 your testimony on RUCO's behalf.

3 A. **RATE BASE ADJUSTMENTS:**

4 My testimony addresses the following issues:

5 Prior Test Year Plant Placed in Service – This adjustment calculates plant  
6 placed in service since the Company's last rate case. This adjustment  
7 also recognizes the additions or retirements (dependent on the individual  
8 system) in rate base by the actual amount of plant placed in service by  
9 December 31, 2001. I reconstructed the test year plant-in-service balance  
10 starting from the last Commission decisions that set authorized rate base  
11 component balances. Decision No's. 56806 (Mohave) and 57743  
12 (Havasut) set the authorized rate base balances that I used. In addition,  
13 this adjustment recognizes rate base items on an original cost basis,  
14 whereas, the Company's filing reflects rate base on a reconstruction basis.  
15 For further explanation regarding the original cost rate base versus RCND  
16 rate base, see the testimony of Marylee Diaz Cortez.

17 Prior Test Year Accumulated Depreciation – This adjustment calculates  
18 accumulated depreciation since the Companies' last rate case proceeding.  
19 It reduces or increases the level of accumulated depreciation (dependent  
20 upon the particular system) that was in the Company's rate application.

21 Proforma Plant – This adjustment takes the actual year-end 2002 plant  
22 additions and reductions and adjusts the Company's estimated figures.  
23 The 2002 actual plant figures are the most recent known and measurable

1 balances. See RUCO witness Rodney Moore's testimony for more detail  
2 pertaining to the proforma plant adjustment.

3 Acquisition Adjustment – This adjustment simply reverses the Company's  
4 acquisition premium found in its rate application. For complete details  
5 regarding the acquisition adjustment, see RUCO witness Rodney Moore's  
6 testimony.

7 Contributions-In-Aid-Of-Construction (CIAC) – This adjustment corrects  
8 the Company's rate application AIAC and CIAC balances in the Mohave  
9 District only.

10  
11 **OPERATING INCOME:**

12 Citizens Payroll – RUCO witness Rodney Moore addresses background  
13 information regarding AZ-AM and the prior owner of these systems. This  
14 adjustment is necessary to remove the former owner's payroll and replace  
15 AZ-AM salaries & wages along with any payroll taxes.

16 Arizona-American Allocations – This adjustment is necessary to properly  
17 account for the new and current owner's, AZ-AM, general administrative  
18 and management allocated costs proportionately among all systems.

19 Arizona-American Payroll – This adjustment accounts for any differences  
20 between what AZ-AM filed in its rate application and what was found in the  
21 Company's general ledger.

1        Depreciation & Amortization Expense – This adjustment calculates  
2        depreciation and amortization expense based on RUCO's recommended  
3        plant levels.

4        Property Tax Expense – This adjustment calculates property tax expense  
5        based on the currently effective Arizona Department of Revenue (DOR)  
6        formula.

7        Rate Case Expense – This adjustment is necessary to reflect RUCO's  
8        recommended allowable rate case expenditures. See RUCO witness  
9        Marylee Diaz Cortez's direct testimony regarding RUCO's rationale on this  
10       adjustment.

11       Arizona-American Overheads – This adjustment is necessary to properly  
12       account for the overhead expenses incurred by each system. RUCO  
13       witness Rodney Moore discusses in his testimony the basis on which this  
14       adjustment is made.

15       Income Tax Expense – This adjustment calculates the appropriate level of  
16       income tax expense given RUCO's recommended operating income.

17  
18       **REVENUE REQUIREMENTS**

19       Q.     Please summarize the results of your analysis of Arizona-American Water  
20       Company and your recommended revenue requirement.

21       A.     Arizona-American revenue should be reduced by \$(713,885) for the  
22       Mohave system and increased by not more than \$2,467 for the Havasu  
23       district. These recommendations are summarized on Schedule TJC-1,

1 page 1 for each system respectively. My recommended original cost rate  
2 base ("OCRB") is \$8,304,450 for Mohave and \$766,406 for Havasu, which  
3 are shown on TJC-2. The supporting detail for the OCRB can be found on  
4 Schedules TJC-3. RUCO's recommended adjusted operating income is  
5 \$545,652 for Mohave and \$48,406 for Havasu and is shown on Schedules  
6 TJC-6. Additionally, the detail that supports my recommendations can be  
7 found on Schedules TJC-7.

8  
9 **RATE BASE**

10 **Rate Base Adjustment #1 – Prior Test-Year Plant**

11 Q. Please explain your prior test-year rate base adjustment.

12 A. The Mohave District's last rate case utilized a test-year ended on March  
13 31, 1988. In that case, the Commission authorized a specific rate base  
14 amount. I went back to that decision (No. 56806) and constructed plant  
15 schedules beginning with the authorized rate base and plant balances  
16 deemed appropriate by the Commission. Through data requests, the  
17 Company provided me with all plant additions, retirements, and  
18 adjustments from March 31, 1988 through the end of the current rate case  
19 test-year – December 31, 2001. I progressively built the plant schedules  
20 using those additions and retirements and depreciated the plant annually  
21 using the Commission's authorized depreciation rates. That exercise  
22 provided the plant in service balance through the test-year. An adjustment  
23 to decrease plant by \$(75,764) for Mohave and \$(96,825) for Havasu was

1           necessary. An adjustment to increase accumulated depreciation by  
2           \$1,226,050 for Mohave and \$23,504 for Havasu was necessary to  
3           properly recognize accumulated depreciation balances.

4  
5   Q.    Why do you think that your beginning test-year accumulated depreciation  
6           balances are more accurate than those of the Company?

7   A.    The Company did not reconstruct the accumulated depreciation balances  
8           since the last rate case that prescribed and authorized a specific rate base  
9           amount and depreciation rate as I did.

10  
11   Q.   What methodology did the Company utilize to obtain its beginning test-  
12          year accumulated depreciation figures?

13   A.   The Company used the beginning balances found on the books as of  
14          December 31, 2001. The plant reconstruction analysis that I performed  
15          yield a more accurate starting point. My recommended adjustment to the  
16          test year plant and accumulated depreciation balances are shown on the  
17          last page of Schedule TJC-4.

18  
19   **Rate Base Adjustment #2 – Proforma Plant**

20   Q.    Please explain the proforma plant adjustment.

21   A.    The proforma plant adjustment is necessary because when the rate  
22          application was filed, actual 2002 post-test-year (PTY) end figures were

1 not available. An adjustment is necessary to true up the Company's  
2 proforma adjustments to 2002 actuals.

3  
4 Q. Why do you believe your adjustment is more reliable than that of the  
5 Company?

6 A. Proforma figures are mere estimates. Actual numbers are accurate and  
7 reliable as opposed to estimates or predictions.

8  
9 Q. What adjustment was necessary to true up the proforma amounts to  
10 actuals?

11 A. The adjustment increased plant in Mohave by \$40,944 and decreased  
12 plant in Havasu by \$(10,101). A corresponding adjustment to increase  
13 accumulated depreciation by \$19,416 in Mohave and \$2,405 in Havasu  
14 was also necessary.

15  
16 **Rate Base Adjustment #3 – Acquisition Adjustment**

17 Q. Please explain the acquisition adjustment to rate base.

18 A. RUCO witness Rodney Moore discusses the acquisition adjustment fully  
19 in his testimony. Please refer to his testimony for RUCO's rationale that  
20 led to this adjustment.

1 Q. What adjustment was necessary for the Mohave and Havasu systems?

2 A. The adjustment decreased Mohave's rate base by \$(6,121,931) and  
3 decreased Havasu's rate base by \$(523,302).  
4

5 **Rate Base Adjustment #4 – Advances in Aid of Construction (AIAC) and**  
6 **Contributions In Aid of Construction (CIAC)**

7 Q. Please explain your AIAC and CIAC adjustments.

8 A. This adjustment affects only the Mohave Water district and merely  
9 corrects for the Company's use of an erroneous AIAC balance in the  
10 Mohave rate application.  
11

12 Q. How did you identify this error?

13 A. During the course of my audit I reviewed the Citizens' year ended  
14 December 31, 2001 general ledger and compared that to the per books  
15 amount included in the Company's application and noted a discrepancy  
16 between the AIAC balances of \$4,412,115 reflected on Citizens' general  
17 ledger vs. the \$3,627,074 AIAC balance used in the Company's  
18 application.  
19

20 Q. Does your correction of this AIAC error affect any other rate base  
21 balances?

22 A. Yes. Decision No. 63584, the sale and transfer docket, required that AZ-  
23 AM be required to convert 5% of the AIAC balances on its books and

1 records at the time of acquisition to CIAC. Since the Company has  
2 transferred an incorrect amount of AIAC, likewise, its calculation of the 5%  
3 is also incorrect. I have corrected both the AIAC and CIAC balances on  
4 Schedule TJC-3, Adjustment #4.  
5

## 6 **OPERATING INCOME**

### 7 **Operating Adjustment #1 – Citizens' Corporate Allocations**

8 Q. Please discuss Operating Adjustment #1.

9 A. Operating Adjustment #1 simply corrects for a Company error that creates  
10 a discrepancy between the corporate allocations reflected in its application  
11 and those actually recorded on the test year general ledger. This  
12 adjustment is applicable only to the Havasu division, and increases  
13 operating expenses by \$112.  
14

### 15 **Operating Adjustment #2 – Citizens Payroll**

16 Q. What adjustments are necessary to Citizens Payroll?

17 A. The adjustment decreased salaries and wages by \$19,328 in Mohave and  
18 by \$223 in Havasu. RUCO witness Rodney Moore provides full details  
19 regarding this adjustment in his testimony.  
20  
21  
22  
23

**Operating Adjustment #3 – Arizona-American Allocations**

Q. What adjustments are necessary for Arizona-American Allocations?

A. It was necessary to decrease "Service Company Fees" by \$79,576 in Mohave and by \$11,492 in Havasu. RUCO witness Marylee Diaz Cortez explains this adjustment completely in her testimony.

**Operating Adjustment #4 – Arizona-American Payroll**

Q. Was there an adjustment necessary for Arizona-American Payroll?

A. Yes, an adjustment to decrease salaries & wages by \$124,349 in Mohave was necessary and a decrease to Havasu by \$33,948 was required. Ms. Diaz Cortez provides a complete description in her testimony regarding this adjustment.

**Operating Adjustment #5 – Depreciation Expense**

Q. What amount of total depreciation & amortization expense has the Company requested?

A. The Company is requesting depreciation & amortization expense of \$692,199 for its Mohave system, \$73,315 for its Havasu system.

Q. Have you recomputed depreciation expense?

A. Yes. It was necessary for me to recalculate depreciation expense based on the actual 2002 year-end plant balances rather than the Company's 2001 proforma amounts. I have accepted the Company's proposed

1 depreciation rate; accordingly, the differences in my recommended  
2 depreciation and amortization expense versus the Company's are  
3 attributable solely to balance differences.

4  
5 Q. What is your recommended adjustment?

6 A. My depreciation adjustment for the Mohave system is (\$22,505), the  
7 Havasu system also requires a reduction of depreciation expense as  
8 compared to the Company's amount filed in its Rate Application of  
9 (\$6,897). The details of my calculations are shown on Schedule TJC-11.

10  
11 Q. Does that complete RUCO's Depreciation Adjustment?

12 A. Yes.

13  
14 **Operating Adjustment #6 – Property Tax Expense**

15 Q. Have you reviewed the property tax calculation that the Company used in  
16 determining its revenue requirement?

17 A. Yes.

18  
19 Q. How did the Company arrive at its property tax amount as reported in its  
20 filing?

21 A. The Company computed its property tax calculation using the same  
22 methodology as I did as prescribed by the Arizona Department of  
23 Revenue (ADOR). However, the Company has used its actual 2001

1 revenues, adjusted 2001 revenues and proposed revenues for purposes  
2 of valuation as opposed to its historical revenue.

3 The Company failed to recognize any Construction Work In Progress  
4 (CWIP). AZ-AM also utilizes a greater net book value for its transportation  
5 equipment. Since I reconstructed all plant accounts going back to the last  
6 rate case in 1988 and 1990, respective to the particular water districts as  
7 opposed to relying on the general ledger, I maintain that my figure is more  
8 reliable. As noted in the paragraph above, the Company's property tax  
9 calculation is skewed by not utilizing historical revenues also. Other than  
10 those differences, there are no significant differentiations.

11  
12 Q. What adjustment is necessary?

13 A. It was necessary and proper to re-compute the property taxes based on  
14 historical revenues as required by the ADOR formula. Mohave and  
15 Havasu systems required the following adjusted decreases of (\$2,427)  
16 and (\$7,656) respectively. The adjustment is detailed on Schedule TJC-  
17 12.

18  
19 **Operating Adjustment #7 – Rate Case Expense**

20 Q. What adjustment is necessary for RUCO's recommendation regarding the  
21 rate case expense?

22 A. The following adjustment to Mohave decreases rate case expense by  
23 \$(11,645) and Havasu by \$(1,168). RUCO witness Ms. Diaz Cortez

1 discusses RUCO's position pertaining to the rate case expense  
2 adjustment.

3  
4 **Operating Adjustment #8 – Arizona-American Overheads**

5 Q. What adjustment is necessary for Arizona-American overheads?

6 A. This adjustment decreases Service Company Fees by \$(206,129) for the  
7 Mohave system and by \$(42,514) for the Havasu district. Mr. Moore  
8 provides the discussion regarding this adjustment in his testimony.

9  
10 **Operating Adjustment #10 – Income Tax Expense**

11 Q. Please discuss your income tax expense adjustment.

12 A. As shown on Schedule TJC-15, I calculated Arizona-American Water  
13 Company's state and federal income taxes based on RUCO's  
14 recommended level of operating income at present water rates.

15  
16 Q. After reviewing the Company's income tax expense as reported in its  
17 filing, do you agree with the tax rates the Company used?

18 A. No. RUCO has used the stand-alone method for calculating income taxes  
19 whereas the Company utilized the corporate-wide approach. This also  
20 accounts in part for the difference in the Company's and RUCO's "Gross  
21 Revenue Conversion Factor". The Company has computed its Federal  
22 Income Tax rate based on total Company income. This Commission has  
23 required proforma income taxes to be computed on a "stand-alone" basis

1 for each system. My income tax calculations therefore utilize stand-alone  
2 net income to determine the tax liability. My calculations are supported in  
3 detail on Schedule TJC-15.

4  
5 **COST OF CAPITAL**

6 Q. Has RUCO determined cost of capital and a fair return on common  
7 equity?

8 A. Yes. Mr. Rigsby will sponsor that section of the Rate Application in his  
9 testimony. His recommended cost of capital is shown on WAR-1.

10  
11 **RATE DESIGN**

12 Q. Have you prepared a schedule showing your recommended monthly  
13 minimum and commodity rates?

14 A. Yes. These rates are shown on Schedule TJC-16, page 1.

15  
16 Q. How did you design your rates?

17 A. My rate design maintains the current rate relationship between meter  
18 sizes and also between commodity vs. monthly minimums. Since a cost  
19 of service study was not performed in this case I am not proposing any  
20 change to those current rate relationships.

1 Q. What changes have you made to the Havasu and Mohave water rates?

2 A. My rate design is based on my recommended revenue increase and  
3 decrease for Havasu and Mohave, respectively. I have also removed all  
4 gallonage from both divisions' monthly minimums. Both the Mohave and  
5 Havasu rates were set more than ten years ago and do not currently  
6 reflect the Commissions policy of "no free water". Exclusion of the free  
7 water will provide more conservation incentive. I have also designed  
8 Havasu's rates to reflect one commodity rate for the entire year. Havasu's  
9 current rates are based on two commodity rates – one for summer, which  
10 is higher, and one for winter, which is lower.

11  
12 Q. Why have you moved to one rate for all seasons?

13 A. I believe the two season rates are no longer warranted. First, all other AZ-  
14 AM water systems are based on one annual commodity rate, and moving  
15 Havasu to one rate will be consistent and administratively efficient.  
16 Second, at one time Havasu's customer base was highly seasonal. Over  
17 the years that has stabilized, and during the test year there was little  
18 variance between summer and winter bill counts. Third, setting winter  
19 rates lower than summer rates creates cost subsidizations, where winter  
20 visitors pay lower over all rates than permanent residents. For these  
21 reasons I am recommending a flat commodity charge year around.

1        My proposed rates are shown on Schedule TJC-16, page 1.    A,  
2        comparison of the current, company proposed, and RUCO recommended  
3        rates is shown on Schedule TJC-16, page 2.

4

5    Q.    Does this complete your testimony on behalf of RUCO?

6    A.    Yes.

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,369,042	\$ 53,501	\$ 1,422,543	\$ 766,406
2	Adjusted Operating Income (Loss)	\$ (16,329)		\$ (16,329)	\$ 48,406
3	Current Rate Of Return (L2 / L1)	-1.19%		-1.15%	6.32%
4	Required Operating Income (L5 X L1)	\$ 106,094		\$ 110,247	\$ 50,357
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 122,424		\$ 126,576	\$ 1,951
7	Gross Revenue Conversion Factor (Sch. RLM-2)	1.6286		1.6286	1.2646
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 199,384		\$ 206,142	\$ 2,467
9	Adjusted Test Year Revenue	\$ 440,924		\$ 440,924	\$ 440,924
10	Proposed Annual Revenue (L8 + L9)	\$ 640,308		\$ 647,066	\$ 443,391
11	Required Percentage Increase In Revenue (L8 / L9)	45.22%		46.75%	0.56%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1  
Column (B): RUCO Schedules TJC-2  
Column (C): Recalculated After Adjusting To OCRB  
Column (D): RUCO SCHEDULES TJC-3, TJC-6

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.2092			
3	Subtotal (L1 - L2)	0.7908			
4	Revenue Conversion Factor (L1 / L3)	1.2646			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	15.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	13.9548%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	20.9228%			
11	Required Operating Income (Sch. TJC-1, Col. (B), L4)	\$ 50,357			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. TJC-1, Col. (B), L2)	48,406			
13	Required Increase In Operating Income (L11 - L12)		\$ 1,951		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 7,409			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	6,893			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 516		
17	Total Required Increase In Revenue (L13 + L16)		\$ 2,467		
				RUCO	
CALCULATION OF INCOME TAX:				Recommended	
18	Revenue (Sch. TJC-1, Col. (B), L10)			\$ 443,391	
19	Less: Opr'g Exp. Excl. Inc. Tax (TJC-6, Col. (E), L25 - L23)			385,625	
20	Less: Synchronized Interest (Col. (C), L37)			22,354	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 35,413	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 2,468
24	Fed. Taxable Income (L21 - L23)			\$ 32,945	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 4,942	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			-	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			-	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			-	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 4,942
31	Combined Federal And State Income Tax (L23 + L30)				\$ 7,409
32	Test Year Combined Income Tax, RUCO As Adjusted (TJC-6, Col. (C), L23)				\$ 6,893
33	Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				\$ 516
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				15.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. TJC-3, Col. (C), L16)			\$ 766,406	
36	Weighted Avg. Cost Of Debt (Sch. TJC-13, Col. (F), L1 + L2)			2.92%	
37	Synchronized Interest (L35 X L36)			\$ 22,354	

**FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJM'TS TO OCRB	(C) COMPANY FILED AS OCRB	(D) RUCO OCRB ADJM'TS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 3,347,492	\$ (1,182,084)	\$ 2,165,408	\$ (106,926)	\$ 2,058,482
	Less:					
2	Accumulated Depreciation	885,921	(330,390)	555,531	25,909	581,440
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 2,461,571</u>	<u>\$ (851,694)</u>	<u>\$ 1,609,877</u>	<u>\$ (132,835)</u>	<u>\$ 1,477,042</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 647,272	\$ (228,568)	\$ 418,704	\$ 0	\$ 418,704
5	Contribution In Aid Of Const. ("CIAC")	\$ 434,191	\$ (153,324)	\$ 280,867	\$ 0	\$ 280,867
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 434,191</u>	<u>\$ (153,324)</u>	<u>\$ 280,867</u>	<u>\$ 0</u>	<u>\$ 280,867</u>
8	Customer Meter Deposits	\$ 11,066	\$ 0	\$ 11,066	\$ 0	\$ 11,066
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	-	523,302	(523,302)	-
15	Adjustment Due To Rounding	-	-	1	-	1
16	<b>TOTAL RATE BASE</b>	<u>\$ 1,369,042</u>	<u>\$ (469,802)</u>	<u>\$ 1,422,543</u>	<u>\$ (656,137)</u>	<u>\$ 766,406</u>

References:

Column (A): Company Schedule B-1  
Column (B): Column (C) Minus Column (A)  
Column (C): Company Schedule B-1, page 1  
Column (D): Schedule TJC-3  
Column (E): Column (C) + Column (D)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJMT # 1	(C) RUCO ADJMT # 2	(D) RUCO ADJMT # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 2,165,408	\$ (96,825)	\$ (10,101)	\$ 0	\$ 2,058,482
	Less:					
2	Accumulated Depreciation	555,531	23,504	2,405	-	581,440
3	Net Plant	<u>\$ 1,609,877</u>	<u>\$ (120,329)</u>	<u>\$ (12,506)</u>	<u>\$ 0</u>	<u>\$ 1,477,042</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 418,704	\$ -	\$ -	\$ 0	\$ 418,704
5	Contribution In Aid Of Const. ("CIAC")	\$ 280,867	\$ -	\$ -	\$ 0	\$ 280,867
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 280,867</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 280,867</u>
8	Customer Meter Deposits	\$ 11,066	\$ 0	\$ -	\$ 0	\$ 11,066
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	523,302	-	-	(523,302)	-
15	Adjustment Due To Rounding	1	-	-	-	1
16	TOTAL RATE BASE	<u>\$ 1,422,543</u>	<u>\$ (120,329)</u>	<u>\$ (12,506)</u>	<u>\$ (523,302)</u>	<u>\$ 766,406</u>

References:

Column (A): Company Schedule B-2 and TJC-2, Col. (C)

Column (B): Adjustment To Test Year Total Plant and Accumulated Depreciation (See TJC-4, Page 17, Col. (E) and (F), Line 48)

Column (B): Adjustment To Test Year Total Plant and Accumulated Depreciation (See TJC-5, Page 1, Col. (E) and (F), Line 50)

Column (D): Adjustment To Citizens Acquisition Adjustment (See Schedule TJC-2)

Column (E): Sum of Columns (A) Thru (D)

ADJUSTMENTS TO PRIOR TEST YEAR (12/31/90) TOTAL PLANT  
COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 57743

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) CO. AS FILED PRIOR T. Y. 12/31/1990 TOTAL PLANT	(C) ADJUSTMENT TO 12/31/90 PRIOR T. Y.	(D) ACTUAL 12/31/90 PRIOR T. Y. TOTAL PLANT
1	301.0C	Organization	0.000C	\$ 0	\$ 0	\$ 0
2	302.0C	Franchises	0.000C	-	-	0
3	303.0C	Miscellaneous Intangibles	0.000C	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 0
		SOURCE OF SUPPLY				
5	310.0C	Land And Land Rights	0.0147	\$ 5,800	(1,022)	\$ 4,778
6	311.0C	Structures And Improvements	0.0576	22,734	(4,007)	18,727
7	312.0C	Collecting And Impounding Res.	0.000C	-	-	0
8	313.0C	Lakes, Rivers, Other Intakes	0.000C	-	-	0
9	314.0C	Weils And Springs	0.042C	16,55C	(2,917)	13,63C
10		SUBTOTAL SUPPLY		\$ 45,084	\$ (7,946)	\$ 37,138
		PUMPING				
11	320.0C	Land And Land Rights	0.000C	\$ 0	\$ 0	\$ 0
12	321.0C	Structures And Improvements	0.000C	-	-	0
13	323.0C	Other Power Production	0.000C	-	-	0
14	325.0C	Electric Pumping Equipment	0.249C	98,227	(17,312)	80,915
15	326.0C	Diesel Pumping Equipment	0.000C	-	-	0
16	328.1C	Gas Engine Pumping Equipment	0.000C	-	-	0
17		SUBTOTAL PUMPING		\$ 98,227	\$ (17,312)	\$ 80,915
		WATER TREATMENT				
18	330.0C	Land And Land Rights	0.000C	\$ 0	\$ 0	\$ 0
19	331.0C	Structures And Improvements	0.000C	-	-	0
20	332.0C	Water Treatment Equipment	0.000C	-	-	0
21		SUBTOTAL TREATMENT	0.000C	\$ 0	\$ 0	\$ 0
		TRANSMISSION & DISTRIBUTION				
22	340.0C	Land And Land Rights	0.000C	\$ 0	\$ 0	\$ 0
23	341.0C	Structures And Improvements	0.000C	-	-	0
24	342.0C	Distribution, Reservoirs, & ST	0.0532	20,991	(3,700)	17,291
25	343.0C	Trans. And Dist. Mains	0.3857	152,136	(26,814)	125,322
26	344.0C	Fire Mains	0.000C	-	-	0
27	345.0C	Services	0.0743	29,291	(5,163)	24,128
28	346.0C	Meters	0.1235	48,702	(8,584)	40,118
29	348.0C	Hydrants	0.000C	-	-	0
30	349.0C	Other Trans. And Dist.	0.000C	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 251,12C	\$ (44,260)	\$ 206,86C
		GENERAL				
32	389.0C	Land And Land Rights		\$ 0	\$ 0	\$ 0
33	390.0C	Structures And Improvements		54,586	-	54,586
34	391.0C	Office Furniture And Equipment		6,746	-	6,746
35	391.1C	Computer Equipment		-	-	0
36	392.0C	Transportation Equipment		24,002	-	24,002
37	393.0C	Stores Equipment		-	-	0
38	394.0C	Tools, Shop And Garage		4,304	-	4,304
39	395.0C	Laboratory Equipment		-	-	0
40	396.0C	Power Operated Equipment		4,800	-	4,800
41	397.0C	Communication Equipment		816	-	816
42	398.0C	* Miscellaneous Equipment		28,981	-	28,981
43		SUBTOTAL GENERAL		\$ 124,235	\$ 0	\$ 124,235
		TOTAL WATER PLANT		\$ 518,666	\$ (69,518)	\$ 449,148
44		ALLOCATED PLANT ADJ. PER DECISION #5774:	\$ (69,518)	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding		-	-	0
46		ADJUSTED WATER PLANT		\$ 518,666	\$ (69,518)	\$ 449,148

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L47) (Excluding General Plan

Column (B): Company Adjusted Plant Balances Per Decision No. 5774:

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment of Plant for (\$69,518) As Per Prior ACC Decision No. 5774

Column (D): Columns (B) + (C). Prior Rate Case Decision No. 57743, Commission Approved Adjustment:

\* Havasu Gardens Plant Adjustment

TEST YEAR PLANT SCHEDULES  
ACC APPROVED PRIOR TEST YEAR ENDED DECEMBER 31, 1990

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
INTANGIBLE								
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.00%	-	-	0	-	0
3	303.00	Miscellaneous Intangibles	0.00%	-	-	0	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY								
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 4,778	\$ 0	\$ 4,778
6	311.00	Structures And Improvements	2.79%	-	-	18,727	-	18,727
7	312.00	Collecting And Impounding Reservoirs	2.54%	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.00%	-	-	-	-	0
9	314.00	Wells And Springs	2.54%	-	-	13,633	-	13,633
10		SUBTOTAL SOURCE OF SUPPLY		\$ 0	\$ 0	\$ 37,138	\$ 0	\$ 37,138
PUMPING								
11	320.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	321.00	Structures And Improvements	0.00%	-	-	-	-	0
13	323.00	Other Power Production	5.12%	-	-	-	-	0
14	325.00	Electric Pumping Equipment	3.71%	-	-	80,915	-	80,915
15	326.00	Diesel Pumping Equipment	0.00%	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	0.00%	-	-	0	-	0
17		SUBTOTAL PUMPING		\$ -	\$ 0	\$ 80,915	\$ 0	\$ 80,915
WATER TREATMENT								
18	330.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.00%	-	-	-	-	0
20	332.00	Water Treatment Equipment	12.00%	-	-	-	-	0
21		SUBTOTAL WATER TREATMENT		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TRANSMISSION AND DISTRIBUTION								
22	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.00%	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	2.33%	-	-	17,291	-	17,291
25	343.00	Transmission And Distribution Mains	2.10%	-	-	125,322	-	125,322
26	344.00	Fire Mains	0.00%	-	-	-	-	0
27	345.00	Services	2.89%	-	-	24,128	-	24,128
28	346.00	Meters	3.52%	-	-	40,118	-	40,118
29	348.00	Hydrants	0.00%	-	-	-	-	0
30	349.00	Other Transmission And Distribution	0.00%	-	-	-	-	0
31		SUBTOTAL TRANS. AND DIST.		\$ 0	\$ 0	\$ 206,860	\$ 0	\$ 206,860
GENERAL								
32	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	2.03%	-	-	54,586	-	54,586
34	391.00	Office Furniture And Equipment	4.10%	-	-	6,746	-	6,746
35	391.10	Computer Equipment	4.10%	-	-	0	-	0
36	392.00	Transportation Equipment	25.00%	-	-	24,002	-	24,002
37	393.00	Stores Equipment	3.93%	-	-	-	-	0
38	394.00	Tools, Shop And Garage	7.55%	-	-	4,304	-	4,304
39	395.00	Laboratory Equipment	3.06%	-	-	-	-	0
40	396.00	Power Operated Equipment	9.23%	-	-	4,800	-	4,800
41	397.00	Communication Equipment	4.10%	-	-	816	0	816
42	398.00	Miscellaneous Equipment	6.19%	-	-	28,981	-	28,981
43		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 124,235	\$ 0	\$ 124,235
44		Acc. Depr. December 31, 1990					\$ 193,465	
45		Adjustment Due To Rounding		-	-	-	-	0
46		TOTAL WATER PLANT		\$ 0	\$ 0	\$ 449,148	\$ 193,465	\$ 255,683

References:  
Column (A): Prior Decision No. 57743 and Company Schedule C-2, Page 6  
Column (B): Intentionally Left Blank  
Column (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule TJC-4, Page 1 of 14  
Column (E): Schedule TJC-4, Page 1  
Column (F): Column (D) - Column (E)

\* Havasu Gardens Plant Adjustment

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1991

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 10,144	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 10,144	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 999	\$ 0	\$ 0	\$ 0	\$ 5,777	\$ 0	\$ 5,777
6	311.00	Structures And Improvements	-	-	-	522	18,727	522	18,205
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	511	(441)	-	358	14,585	11,030	3,555
10		SUBTOTAL SUPPLY	\$ 1,510	\$ (441)	\$ 0	\$ 881	\$ 39,089	\$ 11,553	\$ 27,536
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	-	0
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	38,457	3,102	-	3,658	116,270	556	115,714
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	-	0
17		SUBTOTAL PUMPING	\$ 38,457	\$ 3,102	\$ 0	\$ 3,658	\$ 116,271	\$ 556	\$ 115,715
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	13,332	-	-	800	13,332	800	12,532
21		SUBTOTAL TREATMENT	\$ 13,332	\$ 0	\$ 0	\$ 800	\$ 13,332	\$ 800	\$ 12,532
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	38,821	-	-	855	56,112	855	55,257
25	343.00	Trans. And Dist. Mains	24,926	9,700	-	2,792	140,548	(6,908)	147,457
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	24,196	1,229	-	1,029	47,095	(200)	47,295
28	346.00	Meters	13,128	101	-	1,641	53,145	1,540	51,605
29	348.00	Hydrants	-	-	-	-	-	-	0
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 101,071	\$ 11,030	\$ 0	\$ 6,317	\$ 296,901	\$ (4,713)	\$ 301,614
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
33	390.00	Structures And Improvements	-	-	-	1,108	54,586	1,108	53,478
34	391.00	Office Furniture And Equipment	-	-	-	277	6,746	277	6,469
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	6,001	24,002	6,001	18,002
37	393.00	Stores Equipment	-	-	-	-	-	-	0
38	394.00	Tools, Shop And Garage	2,742	-	-	428	7,046	428	6,618
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	443	4,800	443	4,357
41	397.00	Communication Equipment	-	-	-	33	816	33	783
42	398.00	Miscellaneous Equipment	-	-	-	1,794	28,981	1,794	27,187
43		SUBTOTAL GENERAL	\$ 2,742	\$ 0	\$ 0	\$ 10,084	\$ 126,977	\$ 10,084	\$ 116,893
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	<sup>1</sup>	-	-	-	<sup>2</sup>	-	0
46		TOTAL WATER PLANT	\$ 167,257	\$ 13,691	\$ 0	\$ 21,740	\$ 602,716	\$ 211,745	\$ 390,969

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D):  $0.75 \times [(\text{Col. (A)} + \text{Col. (B)}) \times \text{TJC-4, Page 2, Col. (A)} \times 1/2 \text{ yr. conv.}] + [\text{TJC-4, Page 2, Col. (D)} - \text{Col. (C)}] \times \text{TJC-4, Page 1, Col. (A)}$

Column (E): Schedule TJC-4, Page 2, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 2, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1992

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,777	\$ 0	\$ 5,777
6	311.00	Structures And Improvements	-	-	-	522	18,727	1,045	17,682
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	370	14,585	11,401	3,184
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 893	\$ 39,088	\$ 12,446	\$ 26,642
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	-	-
13	323.00	Other Power Production	22,738	-	-	582	22,738	582	22,156
14	325.00	Electric Pumping Equipment	46	-	-	4,314	116,316	4,870	111,446
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	-	0
17		SUBTOTAL PUMPING	\$ 22,784	\$ 0	\$ 0	\$ 4,897	\$ 139,054	\$ 5,452	\$ 133,602
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	269	-	-	1,616	13,601	2,416	11,185
21		SUBTOTAL TREATMENT	\$ 269	\$ 0	\$ 0	\$ 1,616	\$ 13,601	\$ 2,416	\$ 11,185
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	1,307	56,112	2,163	53,950
25	343.00	Trans. And Dist. Mains	4,429	-	-	2,998	144,977	(3,910)	148,888
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	5,353	-	-	1,438	52,448	1,239	51,210
28	346.00	Meters	11,963	-	-	2,081	65,108	3,622	61,487
29	348.00	Hydrants	-	-	-	-	-	-	-
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 21,745	\$ 0	\$ 0	\$ 7,825	\$ 318,646	\$ 3,113	\$ 315,534
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,586	2,216	52,370
34	391.00	Office Furniture And Equipment	-	-	-	277	6,746	553	6,193
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	6,001	24,002	12,001	12,001
37	393.00	Stores Equipment	-	-	-	-	-	-	-
38	394.00	Tools, Shop And Garage	673	-	-	557	7,719	986	6,733
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	443	4,800	886	3,914
41	397.00	Communication Equipment	-	-	-	33	816	67	749
42	398.00	Miscellaneous Equipment	377	-	-	1,806	29,358	3,600	25,758
43		SUBTOTAL GENERAL	\$ 1,050	\$ 0	\$ 0	\$ 10,225	\$ 128,026	\$ 20,309	\$ 107,717
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	-	-	-	-	4	-	(1)
46		TOTAL WATER PLANT	\$ 45,848	\$ 0	\$ 0	\$ 25,455	\$ 648,563	\$ 237,200	\$ 411,359

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 3, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 3, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 3, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1993

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 1,746	\$ 0	\$ 0	\$ 0	\$ 7,523	\$ 0	\$ 7,523
6	311.00	Structures And Improvements	1,929	-	-	549	20,656	1,594	19,061
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	-
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	89,236	4,265	-	1,558	99,556	8,694	90,862
10		SUBTOTAL SUPPLY	\$ 92,911	\$ 4,265	\$ 0	\$ 2,107	\$ 127,734	\$ 10,288	\$ 117,446
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	-	-
13	323.00	Other Power Production	-	-	-	1,164	22,738	1,746	20,992
14	325.00	Electric Pumping Equipment	66,310	-	-	5,545	182,626	10,416	172,210
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	-	0
17		SUBTOTAL PUMPING	\$ 66,310	\$ 0	\$ 0	\$ 6,710	\$ 205,364	\$ 12,162	\$ 193,203
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	1,632	13,601	4,048	9,553
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 1,632	\$ 13,601	\$ 4,048	\$ 9,553
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	76,890	-	-	2,203	133,002	4,366	128,637
25	343.00	Trans. And Dist. Mains	190,866	-	-	5,049	335,843	1,138	334,705
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	30,587	-	-	1,958	83,035	3,196	79,839
28	346.00	Meters	17,961	-	-	2,608	83,069	6,230	76,840
29	348.00	Hydrants	18,712	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 335,016	\$ 0	\$ 0	\$ 11,817	\$ 653,662	\$ 14,930	\$ 638,732
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,586	3,324	51,262
34	391.00	Office Furniture And Equipment	4,502	-	-	369	11,248	922	10,326
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	6,001	24,002	18,002	6,001
37	393.00	Stores Equipment	-	-	-	-	-	-	-
38	394.00	Tools, Shop And Garage	1,455	-	-	638	9,174	1,624	7,550
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	443	4,800	1,329	3,471
41	397.00	Communication Equipment	2,727	-	-	89	3,543	156	3,386
42	398.00	Miscellaneous Equipment	-	-	-	1,817	29,358	5,417	23,941
43		SUBTOTAL GENERAL	\$ 8,684	\$ 0	\$ 0	\$ 10,465	\$ 136,710	\$ 30,774	\$ 105,937
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	-	-	-	-	5	-	0
46		TOTAL WATER PLANT	\$ 502,921	\$ 4,265	\$ 0	\$ 32,731	\$ 1,147,220	\$ 265,667	\$ 881,549

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 4, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1994

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,523	\$ 0	\$ 7,523
6	311.00	Structures And Improvements	-	-	-	576	20,656	2,171	18,485
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	-
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	11,222	88,333
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 3,105	\$ 127,734	\$ 13,393	\$ 114,341
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	-	-
13	323.00	Other Power Production	-	-	-	1,164	22,738	2,910	19,828
14	325.00	Electric Pumping Equipment	996	-	-	6,794	183,622	17,210	166,413
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 996	\$ 0	\$ 0	\$ 7,958	\$ 206,361	\$ 20,120	\$ 186,241
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	4,549	-	-	1,905	18,150	5,953	12,197
21		SUBTOTAL TREATMENT	\$ 4,549	\$ 0	\$ 0	\$ 1,905	\$ 18,150	\$ 5,953	\$ 12,197
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	3,099	133,002	7,465	125,538
25	343.00	Trans. And Dist. Mains	7,763	1,744	-	7,153	341,862	6,547	335,315
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	10,789	770	-	2,567	93,054	4,993	88,061
28	346.00	Meters	16,254	2,426	-	3,253	96,897	7,056	89,841
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	-
31		SUBTOTAL TRANS. & DIST.	\$ 34,806	\$ 4,940	\$ 0	\$ 16,071	\$ 683,528	\$ 26,061	\$ 657,467
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	19	-	-	1,108	54,605	4,433	50,172
34	391.00	Office Furniture And Equipment	101	-	-	463	11,349	1,385	9,964
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	27,895	24,002	-	12,488	27,895	6,487	21,408
37	393.00	Stores Equipment	-	-	-	-	-	-	-
38	394.00	Tools, Shop And Garage	1,345	-	-	743	10,519	2,367	8,152
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	4,800	-	665	0	(2,806)	2,806
41	397.00	Communication Equipment	-	-	-	145	3,542	301	3,241
42	398.00	Miscellaneous Equipment	580	377	-	1,847	29,560	6,887	22,673
43		SUBTOTAL GENERAL	\$ 29,940	\$ 29,179	\$ 0	\$ 17,459	\$ 137,470	\$ 19,054	\$ 118,416
44		Acc. Depre. December 31, 1990	-	-	-	-	4	\$ 193,465	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	-
46		TOTAL WATER PLANT	\$ 70,291	\$ 34,119	\$ 0	\$ 46,498	\$ 1,183,392	\$ 278,046	\$ 905,342

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 5, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,523	\$ 0	\$ 7,523
6	311.00	Structures And Improvements	533	-	-	584	21,189	2,754	18,435
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	-
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	13,751	85,805
10		SUBTOTAL SUPPLY	\$ 533	\$ 0	\$ 0	\$ 3,112	\$ 128,268	\$ 16,506	\$ 111,762
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	-	-
13	323.00	Other Power Production	-	-	-	1,164	22,738	4,075	18,663
14	325.00	Electric Pumping Equipment	881	-	-	6,829	184,503	24,038	160,465
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 881	\$ 0	\$ 0	\$ 7,993	\$ 207,241	\$ 28,113	\$ 179,129
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	306	-	-	2,196	18,456	8,149	10,307
21		SUBTOTAL TREATMENT	\$ 306	\$ 0	\$ 0	\$ 2,196	\$ 18,456	\$ 8,149	\$ 10,307
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	483	-	-	3,105	133,485	10,569	122,916
25	343.00	Trans. And Dist. Mains	578	-	-	7,185	342,440	13,732	328,708
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	11,587	46	-	2,857	104,595	7,804	96,791
28	346.00	Meters	17,297	96	-	3,717	114,098	10,677	103,421
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 29,945	\$ 142	\$ 0	\$ 16,864	\$ 713,331	\$ 42,783	\$ 670,548
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	5,541	49,064
34	391.00	Office Furniture And Equipment	207	-	-	470	11,556	1,855	9,701
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	6,974	27,895	13,461	14,434
37	393.00	Stores Equipment	-	-	-	-	-	-	-
38	394.00	Tools, Shop And Garage	1,047	-	-	834	11,566	3,201	8,365
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	0	0	(2,806)	2,806
41	397.00	Communication Equipment	-	-	-	145	3,542	447	3,095
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	8,716	20,844
43		SUBTOTAL GENERAL	\$ 1,254	\$ 0	\$ 0	\$ 11,360	\$ 138,724	\$ 30,414	\$ 108,310
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	1	-	-	-	5		0
46		TOTAL WATER PLANT	\$ 32,920	\$ 142	\$ 0	\$ 41,526	\$ 1,216,170	\$ 319,430	\$ 896,735

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 6, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,523	\$ 0	\$ 7,523
6	311.00	Structures And Improvements	78	-	-	592	21,267	3,347	17,921
7	312.00	Collecting And Impounding Res.	148,279	-	-	1,883	148,279	1,883	146,396
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	16,280	83,276
10		SUBTOTAL SUPPLY	\$ 148,357	\$ 0	\$ 0	\$ 5,004	\$ 276,625	\$ 21,510	\$ 255,115
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(0)	0
13	323.00	Other Power Production	-	-	-	1,164	22,738	5,239	17,499
14	325.00	Electric Pumping Equipment	48,392	537	-	7,753	232,358	31,253	201,105
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 48,392	\$ 537	\$ 0	\$ 8,917	\$ 255,096	\$ 36,492	\$ 218,605
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	6,859	-	-	2,626	25,315	10,776	14,539
21		SUBTOTAL TREATMENT	\$ 6,859	\$ 0	\$ 0	\$ 2,626	\$ 25,315	\$ 10,776	\$ 14,539
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	5,249	-	-	3,171	138,734	13,741	124,994
25	343.00	Trans. And Dist. Mains	177,471	-	-	9,055	519,911	22,787	497,125
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	43,784	-	-	3,655	148,379	11,460	136,920
28	346.00	Meters	18,537	3,188	-	4,399	129,447	11,888	117,559
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 245,041	\$ 3,188	\$ 0	\$ 20,280	\$ 955,184	\$ 59,875	\$ 895,309
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	6,650	47,955
34	391.00	Office Furniture And Equipment	438	-	-	483	11,994	2,338	9,656
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	6,974	27,895	20,435	7,460
37	393.00	Stores Equipment	-	-	-	-	-	0	(0)
38	394.00	Tools, Shop And Garage	198	-	-	881	11,764	4,082	7,682
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	0	0	(2,806)	2,806
41	397.00	Communication Equipment	-	-	-	145	3,542	592	2,950
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	10,547	19,013
43		SUBTOTAL GENERAL	\$ 636	\$ 0	\$ 0	\$ 11,421	\$ 139,360	\$ 41,837	\$ 97,523
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 449,285	\$ 3,725	\$ 0	\$ 48,248	\$ 1,661,725	\$ 363,954	\$ 1,297,771

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 7, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ (1)	\$ 0	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures And Improvements	(141)	-	-	591	21,126	3,938	17,188
7	312.00	Collecting And Impounding Res.	-	-	-	3,766	148,279	5,649	142,630
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	18,809	80,747
10		SUBTOTAL SUPPLY	\$ (142)	\$ 0	\$ 0	\$ 6,886	\$ 276,483	\$ 28,396	\$ 248,087
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(1)	1
13	323.00	Other Power Production	-	-	-	1,164	22,738	6,403	16,335
14	325.00	Electric Pumping Equipment	(30,086)	-	-	8,062	202,272	39,315	162,957
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ (30,086)	\$ 0	\$ 0	\$ 9,227	\$ 225,010	\$ 45,717	\$ 179,294
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	3,038	25,315	13,814	11,502
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,038	\$ 25,315	\$ 13,814	\$ 11,501
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	8,652	-	-	3,333	147,386	17,074	130,312
25	343.00	Trans. And Dist. Mains	33,575	-	-	11,271	553,486	34,057	519,429
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	2,616	-	-	4,326	150,995	15,786	135,210
28	346.00	Meters	4,340	-	-	4,633	133,787	16,521	117,266
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 49,183	\$ 0	\$ 0	\$ 23,563	\$ 1,004,367	\$ 83,438	\$ 920,929
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	7,758	46,847
34	391.00	Office Furniture And Equipment	(8,740)	-	-	313	3,254	2,650	604
35	391.10	Computer Equipment	8,376	-	-	172	8,376	172	8,204
36	392.00	Transportation Equipment	-	-	-	6,974	27,895	27,408	487
37	393.00	Stores Equipment	-	-	-	-	-	1	(1)
38	394.00	Tools, Shop And Garage	-	-	-	888	11,764	4,971	6,793
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	33,093	-	-	1,527	33,093	(1,279)	34,372
41	397.00	Communication Equipment	1,227	-	-	170	4,769	763	4,006
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	12,377	17,183
43		SUBTOTAL GENERAL	\$ 33,956	\$ 0	\$ 0	\$ 12,982	\$ 173,316	\$ 54,821	\$ 118,495
44		Acc. Depr. December 31, 1990	-	-	-	-	-	\$ 193,465	-
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 52,911	\$ 0	\$ 0	\$ 55,696	\$ 1,714,636	\$ 419,651	\$ 1,294,986

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 8, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 8, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 8, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ -	\$ 0	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures And Improvements	-	-	-	589	21,126	4,527	16,599
7	312.00	Collecting And Impounding Res.	(26)	-	-	3,766	148,253	9,415	138,838
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	21,337	78,219
10		SUBTOTAL SUPPLY	\$ (26)	\$ 0	\$ 0	\$ 6,884	\$ 276,457	\$ 35,280	\$ 241,177
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(1)	1
13	323.00	Other Power Production	-	-	-	1,164	22,738	7,567	15,171
14	325.00	Electric Pumping Equipment	21,635	9,697	-	8,086	214,210	37,703	176,507
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 21,635	\$ 9,697	\$ 0	\$ 9,250	\$ 236,948	\$ 45,269	\$ 191,680
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	3,038	25,315	16,851	8,464
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,038	\$ 25,315	\$ 16,851	\$ 8,464
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	3,434	147,386	20,508	126,878
25	343.00	Trans. And Dist. Mains	70,129	-	-	12,360	623,615	46,417	577,198
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	15,964	302	-	4,599	166,657	20,083	146,575
28	346.00	Meters	20,286	6,724	-	5,185	147,349	14,982	132,368
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 106,379	\$ 7,026	\$ 0	\$ 25,577	\$ 1,103,720	\$ 101,989	\$ 1,001,731
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	8,867	45,738
34	391.00	Office Furniture And Equipment	-	-	-	133	3,254	2,784	470
35	391.10	Computer Equipment	-	-	-	343	8,376	515	7,861
36	392.00	Transportation Equipment	-	-	-	6,974	27,895	34,382	(6,487)
37	393.00	Stores Equipment	-	-	-	-	-	1	(1)
38	394.00	Tools, Shop And Garage	76	-	-	891	11,840	5,862	5,978
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	3,054	33,093	1,775	31,318
41	397.00	Communication Equipment	-	-	-	196	4,769	959	3,810
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	14,207	15,353
43		SUBTOTAL GENERAL	\$ 76	\$ 0	\$ 0	\$ 14,530	\$ 173,392	\$ 69,353	\$ 104,039
44		Acc. Depre. December 31, 1990	-	-	-	-	4	193,465	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	-
46		TOTAL WATER PLANT	\$ 128,064	\$ 16,723	\$ 0	\$ 59,279	\$ 1,825,981	\$ 462,208	\$ 1,363,770

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 9, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures And Improvements	-	-	-	589	21,126	5,117	16,009
7	312.00	Collecting And Impounding Res.	-	-	-	3,766	148,253	13,181	135,072
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	23,866	75,690
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 6,884	\$ 276,457	\$ 42,164	\$ 234,293
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(2)	2
13	323.00	Other Power Production	-	-	-	1,164	22,738	8,731	14,007
14	325.00	Electric Pumping Equipment	-	-	-	7,947	214,210	45,650	168,560
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 0	\$ 0	\$ 0	\$ 9,111	\$ 236,948	\$ 54,380	\$ 182,570
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	3,038	25,315	19,889	5,426
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,038	\$ 25,315	\$ 19,889	\$ 5,426
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	3,434	147,386	23,942	123,444
25	343.00	Trans. And Dist. Mains	59,976	-	-	13,726	683,591	60,143	623,448
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	13,518	-	-	5,012	180,176	25,094	155,081
28	346.00	Meters	0	-	-	5,187	147,350	20,168	127,181
29	348.00	Hydrants	-	-	-	-	18,712	-	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 73,494	\$ 0	\$ 0	\$ 27,358	\$ 1,177,215	\$ 129,347	\$ 1,047,867
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	9,975	44,630
34	391.00	Office Furniture And Equipment	-	-	-	133	3,254	2,917	337
35	391.10	Computer Equipment	-	-	-	343	8,376	859	7,517
36	392.00	Transportation Equipment	-	-	-	6,974	27,895	41,356	(13,461)
37	393.00	Stores Equipment	-	-	-	-	-	2	(2)
38	394.00	Tools, Shop And Garage	-	-	-	894	11,840	6,756	5,084
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	3,054	33,093	4,830	28,263
41	397.00	Communication Equipment	-	-	-	196	4,769	1,155	3,614
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	16,037	13,523
43		SUBTOTAL GENERAL	\$ 0	\$ 0	\$ 0	\$ 14,533	\$ 173,392	\$ 83,887	\$ 89,505
44		Acc. Depre. December 31, 1990						\$ 193,465	
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 73,494	\$ 0	\$ 0	\$ 60,924	\$ 1,899,471	\$ 523,133	\$ 1,376,339

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 10, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 10, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 10, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures And Improvements	-	-	-	589	21,126	5,706	15,420
7	312.00	Collecting And Impounding Res.	-	-	-	3,766	148,253	16,947	131,306
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,529	99,556	26,395	73,161
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 6,884	\$ 276,457	\$ 49,048	\$ 227,409
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(2)	2
13	323.00	Other Power Production	-	-	-	1,164	22,738	9,896	12,842
14	325.00	Electric Pumping Equipment	-	-	-	7,947	214,210	53,597	160,613
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 0	\$ 0	\$ 0	\$ 9,111	\$ 236,948	\$ 63,490	\$ 173,459
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	3,038	25,315	22,927	2,388
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,038	\$ 25,315	\$ 22,927	\$ 2,388
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	3,434	147,386	27,376	120,010
25	343.00	Trans. And Dist. Mains	(4,360)	6	-	14,310	679,225	74,446	604,779
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	(6,177)	(6)	-	5,118	174,005	30,218	143,787
28	346.00	Meters	1,825	1,607	-	5,247	147,568	23,871	123,697
29	348.00	Hydrants	-	18,712	-	-	(0)	(18,712)	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ (8,711)	\$ 20,319	\$ 0	\$ 28,109	\$ 1,148,184	\$ 137,199	\$ 1,010,985
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	11,083	43,522
34	391.00	Office Furniture And Equipment	-	-	-	133	3,254	3,050	204
35	391.10	Computer Equipment	2,591	-	-	397	10,967	1,255	9,712
36	392.00	Transportation Equipment	38,277	26,170	-	15,030	40,002	30,216	9,787
37	393.00	Stores Equipment	-	-	-	-	-	2	(2)
38	394.00	Tools, Shop And Garage	-	-	-	894	11,840	7,651	4,189
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	3,054	33,093	7,884	25,209
41	397.00	Communication Equipment	-	-	-	196	4,769	1,351	3,418
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	17,868	11,692
43		SUBTOTAL GENERAL	\$ 40,868	\$ 26,170	\$ 0	\$ 22,642	\$ 188,090	\$ 80,361	\$ 107,729
44		Acc. Depre. December 31, 1990	-	-	-	-	-	\$ 193,465	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 32,157	\$ 46,489	\$ 0	\$ 69,783	\$ 1,885,138	\$ 546,490	\$ 1,338,649

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 11, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 11, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 11, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES  
YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 1,105	\$ 1,105	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures And Improvements	-	-	-	589	21,126	6,296	14,830
7	312.00	Collecting And Impounding Res.	-	-	-	3,766	148,253	20,712	127,541
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	5,200	5,200	-	2,661	99,556	29,056	70,500
10		SUBTOTAL SUPPLY	\$ 6,305	\$ 6,305	\$ 0	\$ 7,016	\$ 276,457	\$ 56,064	\$ 220,393
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(3)	3
13	323.00	Other Power Production	-	-	-	1,164	22,738	11,060	11,678
14	325.00	Electric Pumping Equipment	14,160	-	-	8,210	228,370	61,806	166,564
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 14,160	\$ 0	\$ 0	\$ 9,374	\$ 251,108	\$ 72,863	\$ 178,246
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	-	3,038	25,315	25,965	(650)
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,038	\$ 25,315	\$ 25,965	\$ (650)
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	3,434	147,386	30,810	116,576
25	343.00	Trans. And Dist. Mains	11,727	4,365	-	14,433	686,586	88,879	597,707
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	4,619	1,039	-	5,110	177,585	35,329	142,256
28	346.00	Meters	26,455	9,307	-	5,824	164,715	21,480	143,236
29	348.00	Hydrants	-	-	-	-	(0)	(18,712)	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 42,801	\$ 14,712	\$ 0	\$ 28,801	\$ 1,176,273	\$ 157,785	\$ 1,018,488
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	1,108	54,605	12,192	42,413
34	391.00	Office Furniture And Equipment	-	-	-	133	3,254	3,184	70
35	391.10	Computer Equipment	-	-	-	450	10,967	1,705	9,262
36	392.00	Transportation Equipment	50,670	5,785	-	17,057	84,887	47,273	37,614
37	393.00	Stores Equipment	-	-	-	-	-	3	(3)
38	394.00	Tools, Shop And Garage	-	-	-	894	11,840	8,545	3,295
39	395.00	Laboratory Equipment	-	-	-	-	-	-	-
40	396.00	Power Operated Equipment	-	-	-	3,054	33,093	10,939	22,154
41	397.00	Communication Equipment	4,447	-	-	287	9,216	1,639	7,578
42	398.00	Miscellaneous Equipment	-	-	-	1,830	29,560	19,698	9,862
43		SUBTOTAL GENERAL	\$ 55,117	\$ 5,785	\$ 0	\$ 24,814	\$ 237,422	\$ 105,177	\$ 132,245
44		Acc. Depre. December 31, 1990	-	-	-	-	-	\$ 193,465	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 118,383	\$ 26,802	\$ 0	\$ 73,043	\$ 1,976,718	\$ 611,318	\$ 1,365,401

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 12, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 12, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 12, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA AMERICAN**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)	(G)
			PRE-AQUISITION TOTAL PLANT VALUE	ACCUM. DEP.	ADJUSTMENTS TOTAL PLANT VALUE	ACCUM. DEP.	POST-ACQUISITION TOTAL PLANT VALUE	ACCUM. DEP.	NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 10,144	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	-	-	-	-	-	-
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 10,144	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 7,522	\$ 0	\$ 0	\$ 0	\$ 7,522	\$ 0	\$ 7,522
6	311.00	Structures & Improvements	21,126	6,296	-	-	21,126	6,296	14,830
7	312.00	Collecting & Impound Res.	148,253	20,712	-	-	148,253	20,712	127,541
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	99,556	29,056	-	-	99,556	29,056	70,500
10		SUBTOTAL SUPPLY	\$ 276,457	\$ 56,064	\$ 0	\$ 0	\$ 276,457	\$ 56,064	\$ 220,393
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures & Improvements	-	(3)	-	-	-	(3)	3
13	323.00	Other Power Production	22,738	11,060	-	-	22,738	11,060	11,678
14	325.00	Electric Pumping Equipment	228,370	61,806	-	-	228,370	61,806	166,564
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equip.	1	-	-	-	1	-	1
17		SUBTOTAL PUMPING	\$ 251,109	\$ 72,863	\$ 0	\$ 0	\$ 251,108	\$ 72,863	\$ 178,246
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures & Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	25,315	25,965	-	-	25,315	25,965	(650)
21		SUBTOTAL TREATMENT	\$ 25,315	\$ 25,965	\$ 0	\$ 0	\$ 25,315	\$ 25,965	\$ (650)
		TRANS. & DIST.							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures & Improvements	-	-	-	-	-	-	0
24	342.00	Dist., Res., & ST	147,386	30,810	-	-	147,386	30,810	116,576
25	343.00	Trans. And Dist. Mains	686,586	88,879	-	-	686,586	88,879	597,707
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	177,585	35,329	-	-	177,585	35,329	142,256
28	346.00	Meters	164,715	21,480	-	-	164,715	21,480	143,236
29	348.00	Hydrants	(0)	(18,712)	-	-	(0)	(18,712)	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUB TRANS. & DIST.	\$ 1,176,273	\$ 157,785	\$ 0	\$ 0	\$ 1,176,273	\$ 157,785	\$ 1,018,488
		GENERAL							
32	389.00	Land And Land Rights	\$ (0)	\$ 0	\$ 25	\$ 0	\$ 25	\$ 0	\$ 25
33	390.00	Structures & Improvements	54,605	12,192	(44,028)	(7,114)	10,577	5,078	5,499
34	391.00	Office Furniture & Equip.	3,254	3,184	6,839	(2,371)	10,093	813	9,280
35	391.10	Computer Equipment	10,967	1,705	14,037	(9,102)	25,004	(7,397)	32,401
36	392.00	Transportation Equipment	84,887	47,273	(39,653)	(40,782)	45,234	24,571	45,071
37	393.00	Stores Equipment	-	3	247	444	247	163	(6,244)
38	394.00	Tools, Shop And Garage	11,840	8,545	(1,736)	(4,421)	10,104	6,491	9,657
39	395.00	Laboratory Equipment	-	-	627	1,198	627	447	(3,497)
40	396.00	Power Operated Equipment	33,093	10,939	(26,949)	(10,302)	6,144	4,124	4,946
41	397.00	Communication Equipment	9,216	1,639	(1,739)	34,487	7,477	1,198	6,840
42	398.00	Miscellaneous Equipment	29,560	19,698	(28,626)	16,428	934	637	(35,192)
43		SUBTOTAL GENERAL	\$ 237,422	\$ 105,177	\$ (120,956)	\$ (21,534)	\$ 116,466	\$ 36,126	\$ 68,786
44		Acc. Depre. December 31, 1990	\$ -	\$ 193,465	\$ 0	\$ 0	\$ 0	\$ 193,465	0
45		Adjustm't Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 1,976,719	\$ 611,318	\$ (120,956)	\$ (21,534)	\$ 1,855,763	\$ 542,267	\$ 1,301,942
47		Company As Filed B-2					1,952,588	518,763	
48		Line #46 minus Line #47					(96,825)	23,504	

References:

Column (A): Schedule TJC-4, Page 16, Column (E)  
Column (B): Schedule TJC-4, Page 16, Column (F)  
Columns (C) & (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water Common Plant Allocation  
Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3  
Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3  
Column (G): Column (E) - Column (F)

PROFORMA PLANT  
ADJUSTMENTS TO THE 2001 PROFORMA TEST YEAR

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOSING	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,144	\$ 0	\$ 10,144
2	302.00	Franchises	-	8,445	-	-	8,445	-	8,445
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		<b>SUBTOTAL INTANGIBLE</b>	<b>\$ 0</b>	<b>\$ 8,445</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,589</b>	<b>\$ 0</b>	<b>\$ 18,589</b>
<b>SOURCE OF SUPPLY</b>									
5	310.00	Land And Land Rights	\$ 2,970	\$ 0	\$ 0	\$ 0	\$ 10,492	\$ 0	\$ 10,492
6	311.00	Structures And Improvements	38,584	-	357	538	59,710	7,191	52,519
7	312.00	Collecting And Impounding Res.	-	-	1,882	-	148,253	22,594	125,659
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	1,359	-	99,556	30,415	69,141
10		<b>SUBTOTAL SUPPLY</b>	<b>\$ 41,554</b>	<b>\$ 0</b>	<b>\$ 3,598</b>	<b>\$ 538</b>	<b>\$ 318,011</b>	<b>\$ 60,200</b>	<b>\$ 257,811</b>
<b>PUMPING</b>									
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
12	321.00	Structures And Improvements	-	-	-	-	-	(3)	3
13	323.00	Other Power Production	-	-	582	-	22,738	11,642	11,096
14	325.00	Electric Pumping Equipment	-	-	4,727	-	228,370	66,533	161,837
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	-	1
17		<b>SUBTOTAL PUMPING</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,309</b>	<b>\$ 0</b>	<b>\$ 251,108</b>	<b>\$ 78,172</b>	<b>\$ 172,937</b>
<b>WATER TREATMENT</b>									
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	-	-	-	-
20	332.00	Water Treatment Equipment	-	-	1,518	-	25,315	27,483	(2,168)
21		<b>SUBTOTAL TREATMENT</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,518</b>	<b>\$ 0</b>	<b>\$ 25,315</b>	<b>\$ 27,483</b>	<b>\$ (2,168)</b>
<b>TRANSMISSION &amp; DISTRIBUTION</b>									
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	74,786	-	1,759	871	222,172	33,441	188,732
25	343.00	Trans. And Dist. Mains	60,041	-	6,832	630	746,627	96,341	650,286
26	344.00	Fire Mains	-	-	-	-	-	-	-
27	345.00	Services	-	-	2,632	-	177,585	37,961	139,624
28	346.00	Meters	-	-	3,103	-	164,715	24,583	140,133
29	348.00	Hydrants	-	-	-	-	(0)	(18,712)	18,712
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		<b>SUBTOTAL TRANS. &amp; DIST.</b>	<b>\$ 134,827</b>	<b>\$ 0</b>	<b>\$ 14,328</b>	<b>\$ 1,502</b>	<b>\$ 1,311,100</b>	<b>\$ 173,613</b>	<b>\$ 1,137,487</b>
<b>GENERAL</b>									
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25	\$ 0	\$ 25
33	390.00	Structures And Improvements	-	-	-	-	10,577	5,078	5,499
34	391.00	Office Furniture And Equipment	12,354	-	96	253	22,446	1,162	21,284
35	391.10	Computer Equipment	-	-	221	-	25,004	(7,176)	32,180
36	392.00	Transportation Equipment	-	-	10,607	-	45,234	35,178	10,056
37	393.00	Stores Equipment	-	-	-	-	247	163	84
38	394.00	Tools, Shop And Garage	-	-	266	-	10,104	6,757	3,347
39	395.00	Laboratory Equipment	-	-	-	-	627	447	180
40	396.00	Power Operated Equipment	-	-	422	-	6,144	4,546	1,598
41	397.00	Communication Equipment	5,539	-	386	114	13,017	1,698	11,319
42	398.00	Miscellaneous Equipment	-	-	18	-	935	655	280
43		<b>SUBTOTAL GENERAL</b>	<b>\$ 17,893</b>	<b>\$ 0</b>	<b>\$ 12,016</b>	<b>\$ 367</b>	<b>\$ 134,359</b>	<b>\$ 48,508</b>	<b>\$ 85,852</b>
44		Acc. Depre. December 31, 1990	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 193,465	\$ (193,465)
45		Adjustment Due To Rounding	4	-	1	-	-	-	(1)
46		<b>TOTAL WATER PLANT</b>	<b>\$ 194,278</b>	<b>\$ 8,445</b>	<b>\$ 36,768</b>	<b>\$ 2,407</b>	<b>\$ 2,058,481</b>	<b>\$ 581,440</b>	<b>\$ 1,477,042</b>
Company As Filed B-2							2,165,408	555,531	
Difference In Post Test Year Gross Plant							\$ (106,927)	\$ 25,909	
Adjustment To Test Year Gross Plant As Per TJC-4, Page 14, Col. (E), Line #4							(96,825)	23,504	
Adjustment To Post Test Year Total Plant and Acc. Dep. (See TJC-4, Col. (C), Line #'s 1 &							\$ (10,101)	\$ 2,405	

References:

Column (A): Company's Response To Staff Data Request No. DWC 12-1 To 12-3  
Column (B) & (C): Company Schedule B-2, Pages 1 and 8  
Column (D): ((Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. Conv.) + (TJC-4, Page 17, Col. (E)) X TJC-4, Page 2, Col. (C)  
Column (E): Schedule TJC-4, Page 17, Column (D) + Column (A) + Column (B)  
Column (F): Schedule TJC-4, Page 17, Column (F) + Column (C) + Column (D)  
Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJ'TMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED IN(DE)CREASE	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Metered Water Revenues	\$ 430,392	\$ 0	\$ 430,392	\$ 2,467	\$ 432,859
2	Unmetered Water Revenues	0	-	-	-	0
3	Other Water Revenues	10,532	-	10,532	-	10,532
4	TOTAL OPERATING REVENUES	<u>\$ 440,924</u>	<u>\$ 0</u>	<u>\$ 440,924</u>	<u>\$ 2,467</u>	<u>\$ 443,391</u>
OPERATING EXPENSES:						
5	Salaries And Wages	\$ 171,419	\$ (34,171)	\$ 137,248	\$ 0	\$ 137,248
6	Purchased Water	806	-	806	-	806
7	Purchased Power	47,018	-	47,018	-	47,018
8	Chemicals	1,266	-	1,266	-	1,266
9	Repairs And Maintenance	75,805	-	75,805	-	75,805
10	Office Supplies And Expenses	21,243	-	21,243	-	21,243
11	Outside Services	2,462	-	2,462	-	2,462
12	Service Company Fees	75,244	(53,894)	21,350	-	21,350
13	Water Testing	-	-	-	-	-
14	Rents	1,837	-	1,837	-	1,837
15	Transportation Expenses	-	-	(0)	-	-
16	Insurance - General Liability	2,365	-	2,365	-	2,365
17	Insurance - Health And Life	-	-	(0)	-	-
18	Regulatory Comm. Exp. - Rate Case	2,910	(1,168)	1,742	-	1,742
19	Miscellaneous Expense	1,977	-	1,977	-	1,977
20	Depreciation Expense	46,650	(6,897)	39,753	-	39,753
21	Taxes Other Than Income	9,712	-	9,712	-	9,712
22	Property Taxes	28,696	(7,656)	21,040	-	21,040
23	Income Tax	(32,156)	39,049	6,893	516	7,409
	Adjustment Due To Rounding	(1)	-	-	-	-
24	TOTAL OPERATING EXPENSES	<u>\$ 457,253</u>	<u>\$ (64,736)</u>	<u>\$ 392,518</u>	<u>\$ 516</u>	<u>\$ 393,034</u>
25	OPERATING INCOME (LOSS)	<u>\$ (16,329)</u>	<u>\$ 64,736</u>	<u>\$ 48,406</u>	<u>\$ 1,951</u>	<u>\$ 50,357</u>
Other Income (Expense):						
26	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	Other Income	0	-	-	-	0
28	Interest Expense	(34,824)	-	(34,824)	-	(34,824)
29	Other Expense	0	-	-	-	0
30	Gain/Loss Sale Of Assets	0	-	-	-	0
31	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (34,824)</u>	<u>\$ 0</u>	<u>\$ (34,824)</u>	<u>\$ 0</u>	<u>\$ (34,824)</u>
32	NET PROFIT (LOSS)	<u>\$ (51,153)</u>	<u>\$ 64,736</u>	<u>\$ 13,582</u>	<u>\$ 1,951</u>	<u>\$ 15,533</u>

References:  
Column (A): Company Schedule C-1  
Column (B): Schedule TJC-7  
Column (C): Column (A) + Column (B)  
Column (D): Schedule TJC-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(O) RUCO AS ADJ'D
1	OPERATING REVENUES:												
2	Metered Water Revenues	\$ 400,362	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 400,362
3	Unmetered Water Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	Other Water Revenues	10,532	-	-	-	-	-	-	-	-	-	-	10,532
5	TOTAL OPERATING REVENUES	\$ 410,894	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 410,894
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 171,419	\$ -	\$ (223)	\$ 0	\$ (33,946)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,248
8	Purchased Water	908	-	-	-	-	-	-	-	-	-	-	908
9	Chemicals	47,018	-	-	-	-	-	-	-	-	-	-	47,018
10	Repairs And Maintenance	1,268	-	-	-	-	-	-	-	-	-	-	1,268
11	Office Supplies And Expenses	75,805	-	-	-	-	-	-	-	-	-	-	75,805
12	Outside Services	21,243	-	-	-	-	-	-	-	-	-	-	21,243
13	Service Company Fees	2,452	-	-	-	-	-	-	-	-	-	-	2,452
14	Water Testing	75,244	112	-	(11,492)	-	-	-	-	(42,514)	-	-	21,350
15	Rents	1,837	-	-	-	-	-	-	-	-	-	-	1,837
16	Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-	-
17	Insurance - General Liability	2,365	-	-	-	-	-	-	-	-	-	-	2,365
18	Insurance - Health And Life	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Comm. Exp. - Rate Case	2,910	-	-	-	-	-	-	(1,168)	-	-	-	1,742
20	Miscellaneous Expense	1,977	-	-	-	-	-	-	-	-	-	-	1,977
21	Depreciation Expense	46,650	-	-	-	-	(6,867)	-	-	-	-	-	39,783
22	Taxes Other Than Income	9,712	-	-	-	-	-	-	-	-	-	-	9,712
23	Property Taxes	28,696	-	-	-	-	-	(7,656)	-	-	-	-	21,040
24	Income Tax	(32,156)	-	-	-	-	-	-	-	-	-	39,049	6,893
25	Adjustment Due To Rounding	(1)	-	-	-	-	-	-	-	-	-	-	-
26	TOTAL OPERATING EXPENSES	\$ 457,253	\$ 112	\$ (223)	\$ (11,492)	\$ (33,946)	\$ (6,867)	\$ (7,656)	\$ (1,168)	\$ (42,514)	\$ 0	\$ (39,049)	\$ 382,519
27	OPERATING INCOME (LOSS)	\$ (16,359)	\$ (112)	\$ 223	\$ 11,492	\$ 33,946	\$ 6,867	\$ 7,656	\$ 1,168	\$ 42,514	\$ 0	\$ (39,049)	\$ 48,406
28	Other Income (Expense):												
29	Interest Income	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
30	Other Income	0	-	-	-	-	-	-	-	-	-	-	0
31	Interest Expense	(34,824)	-	-	-	-	-	-	-	-	-	-	(34,824)
32	Other Expense	0	-	-	-	-	-	-	-	-	-	-	0
33	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
34	TOTAL OTHER INCOME (EXPENSE)	\$ (34,824)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (34,824)
35	NET PROFIT (LOSS)	\$ (61,153)	\$ (112)	\$ 223	\$ 11,492	\$ 33,946	\$ 6,867	\$ 7,656	\$ 1,168	\$ 42,514	\$ 0	\$ (39,049)	\$ 13,582

REFERENCE

- 1- Intentionally Left Blank
- 2- Renewal Officers Test Year's Salaries & Wages
- 3- Service Company Fees - AZ-AM
- 4- Projected Salaries & Wages - AZ-AM
- 5- Depreciation Expense
- 6- Property Taxes
- 7- Rate Case Expense
- 8- Projected Additional Corporate Overhead Expenses
- 9- Intentionally Left Blank
- 10- Income Tax

**OPERATING INCOME ADJUSTMENT NO. 2  
CITIZENS SALARIES & WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJM'T
	MOHAVE WATER		2373			
1		Salaries & Wages		\$ 59,846	\$ 59,846	\$ -
2		Payroll Tax		7,949	8,172	(223)
3		TOTAL		<u>67,795</u>	<u>68,018</u>	<u>(223)</u>

References:

Column (A): Company Sch. C-2, Page 3

Column (B): Company Provided Data on Citizens 2001 Payroll

Column (C): Column (B) minus Column (A)

**OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	213	(A) TOTAL SERVICE CHARGES		(C) FOUR FACTOR	(D) ALLOCATED SERVICE CHARGES		
			COMPANY AS FILED	RUCO AS ADJ'TED		COMPANY AS FILED	RUCO AS ADJ'TED	ADJ'MENT
1	Mohave Water	2371	5,153,711	4,366,610	0.1011	521,040	441,464	(79,576)
2	Havasu Water	2373	5,153,711	4,366,610	0.0146	75,244	63,753	(11,492)
3	HAVASU WATER		Arizona-American Service Company Allocation					(11,492)

**REFERENCES:**

Columns (A) & (C): Company Sch. C-2, Page 4  
Column (B): Company Response to RUCO Data Request #3  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) minus Column (D)

**OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES & WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Mohave Water	212	\$ 627,649	\$ 169,465	\$ 458,184	15	\$ 38,726
2	Havasu Water	2373	117,542	31,736	85,806	3	7,299

			COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T
3	HAVASU WATER	Salaries & Wages	\$ 117,341	\$ 85,806	\$ (31,535)
4		Payroll Tax	9,712	7,299	(2,413)
5		TOTAL	<u>\$ 127,053</u>	<u>\$ 93,105</u>	<u>\$ (33,948)</u>

References:

Columns (A) & (D): Company Provided Data on AZ-AM 2002 Payroll

Column (B): 27% of Column (A) - Calculated as Representative of Labor Associated with Capital Projects

Column (C): Column (A) minus Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL RUCO PLANT	(B) APR'D DEP. RATE	(C) TEST YEAR DEPRECIATION EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 10,144	0.00%	\$ -
2	302.00	Franchises	8,445	0.00%	-
3	303.00	Miscellaneous Intangibles	-	0.00%	-
4		SUBTOTAL INTANGIBLE	<u>\$ 18,589</u>		<u>\$ -</u>
		SOURCE OF SUPPLY			
5	310.00	Land And Land Rights	\$ 10,492	0.00%	\$ -
6	311.00	Structures And Improvements	59,710	2.79%	1,666
7	312.00	Collecting And Impounding Res.	148,253	2.54%	3,766
8	313.00	Lakes, Rivers, Other Intakes	-	0.00%	-
9	314.00	Wells And Springs	99,556	2.54%	2,529
10		SUBTOTAL SUPPLY	<u>\$ 318,011</u>		<u>\$ 7,960</u>
		PUMPING			
11	320.00	Land And Land Rights	\$ 0	0.00%	\$ -
12	321.00	Structures And Improvements	(1)	0.00%	-
13	323.00	Other Power Production	22,738	5.12%	1,164
14	325.00	Electric Pumping Equipment	228,369	3.71%	8,472
15	326.00	Diesel Pumping Equipment	1	0.00%	-
16	328.10	Gas Engine Pumping Equipment	1	0.00%	-
17		SUBTOTAL PUMPING	<u>\$ 251,108</u>		<u>\$ 9,637</u>
		WATER TREATMENT			
18	330.00	Land And Land Rights	\$ 0	0.00%	\$ -
19	331.00	Structures And Improvements	1	0.00%	-
20	332.00	Water Treatment Equipment	25,315	12.00%	3,038
21		SUBTOTAL TREATMENT	<u>\$ 25,316</u>		<u>\$ 3,038</u>
		TRANSMISSION & DISTRIBUTION			
22	340.00	Land And Land Rights	\$ 0	0.00%	\$ -
23	341.00	Structures And Improvements	-	0.00%	-
24	342.00	Distribution, Reservoirs, & ST	222,172	2.33%	5,177
25	343.00	Trans. And Dist. Mains	746,627	2.10%	15,679
26	344.00	Fire Mains	-	0.00%	-
27	345.00	Services	177,585	2.89%	5,132
28	346.00	Meters	164,715	3.52%	5,798
29	348.00	Hydrants	(0)	0.00%	-
30	349.00	Other Trans. And Dist.	-	0.00%	-
31		SUBTOTAL TRANS. & DIST.	<u>\$ 1,311,100</u>		<u>\$ 31,786</u>
		GENERAL			
32	389.00	Land And Land Rights	25	0.00%	\$ -
33	390.00	Structures And Improvements	10,577	2.03%	215
34	391.00	Office Furniture And Equipment	22,446	4.10%	920
35	391.10	Computer Equipment	25,004	4.10%	1,025
36	392.00	Transportation Equipment	45,234	25.00%	11,309
37	393.00	Stores Equipment	247	3.93%	10
38	394.00	Tools, Shop And Garage	10,104	7.55%	763
39	395.00	Laboratory Equipment	627	3.06%	19
40	396.00	Power Operated Equipment	6,144	9.23%	567
41	397.00	Communication Equipment	13,017	4.10%	534
42	398.00	Miscellaneous Equipment	935	6.19%	58
43		SUBTOTAL GENERAL	<u>\$ 134,359</u>		<u>\$ 15,419</u>
44		TOTAL WATER PLANT	\$ 2,058,483		\$ 67,840
45		CIAC	280,867	10.00%	28,087
46		TOTAL DEPRECIATION & AMORTIZATION			39,753
47		Per Company			46,650
48		ADJUSTMENT			(6,897)

References:

Column (A): Schedule TJC-5, Page 1, Column (E)  
Column (B): Schedule TJC-4, Page 2, Column (A)  
Column (C): Column (A) X Column (B)

**OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	1999	\$ 277,910	
2	2000	359,521	
3	2001	443,802	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 1,081,233	
5	Average Annual Operating Revenues (L4 / 3)	360,411	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 720,822
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 6,555	
8	10% Of CWIP (L7 X 10%)		\$ 656
	LESS: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (Sch. TJC-12(17))	\$ 45,234	
10	Accumulated Depreciation Of Transportation Equipment (TJC-12(17))	35,178	
11	Net Book Value Of Transportation Equipment (L9 - L10)		\$ 10,056
12	COMPANY'S FULL CASH VALUE (L6 + L8 + L11)		\$ 711,422
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	\$ 177,855	
	Property Tax Rates:		
15	Property Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	11.83%	
16	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		\$ 21,040
17	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. TJC-6, Col. (A), L22)	\$ 28,696	
18	Increase (Decrease) In Property Tax Expense (L16 - L17)	\$ (7,656)	
19	Adjustment To Property Tax Expense From Company's Direct Filing (See TJC-6 Col. (B), L22)		\$ (7,656)

**OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE**

LINE NO.	COMPANY	(A) REVISED T.Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense	212	\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
3	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)

		COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
	HAVASU WATER				
4	Rate Case Expense	8,730	5,225	(3,505)	(1,168)

**References:**

Column (A): Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer from Allocation  
Column (B): Company Response to Data Request less the Mohave Sewer allocation of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) minus Column (B)  
Column (E): Column (D) Divided by 3 (Three Year Amortization Period)

Arizona-American Water Company  
Docket No. W-01303A-02-0869  
Test Year Ended December 31, 2001

Havasu Water District  
Schedule TJC-14  
Page 1 of 2

**OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD**

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	HAVASU WATER				
1		Salaries & Wages	\$ 54,078	\$ 11,232	\$ (42,846)
2		Office Supplies & Expense	13,395	14,208	813
3		Insurance	2,365	1,630	(735)
4		Miscellaneous Expense	1,043	1,297	254
5		TOTAL	70,881	28,367	\$ (42,514)

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From TJC-14, Pg 2, Line 24

Column (C): Column (B) - Column (A)

OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. TJC-6, Col. (C), L25 + L23	\$ 55,299
	LESS:		
2	Arizona State Tax	Line 11	2,296
3	Interest Expense	Note (A) Line 19	22,354
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 30,650
5	Federal Tax Rate	Sch. TJC-2, Col.(D), L34	15.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 4,597
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 55,299
	LESS:		
8	Interest Expense	Note (A) Line 19	22,354
9	State Taxable Income	Line 7 - Line 8	\$ 32,945
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 2,296
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ 4,597
13	State Income Tax Expense	Line 11	2,296
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 6,893
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(32,156)
16	Total Income Tax Adjustment (See Sch. TJC-6, Col. (B), L23)	Line 14 - Line 15	\$ 39,049
<b>NOTE (A):</b>			
Interest Synchronization:			
17	Adjusted Rate Base (Sch. TJC-3, Col. (C), L17)	\$ 766,406	
18	Weighted Cost Of Debt	2.92%	
19	Interest Expense (L17 X L18)	\$ 22,354	

**RATE DESIGN - PROOF OF REVENUE CONTD**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 10.75	13,608	\$ 146,286
2	1 Inch Residential	18.00	-	0
3	1.5 Inch Residential	25.00	-	-
4	2 Inch Residential	32.00	-	-
5	3 Inch Residential	44.00	0	0
6	4 Inch Residential	61.00	-	-
7	6 Inch Residential	215.00	0	0
8				
9	5/8 Inch Commercial	10.75	420	4,515
10	1 Inch Commercial	18.00	60	1,080
11	2 Inch Commercial	32.00	24	768
12	3 Inch Commercial	44.00	36	1,584
13	4 Inch Commercial	61.00	12	732
14	6 Inch Commercial	215.00	0	
15				
16	Multi-Family - All Meter Sizes	10.75	108	1,161
17				
18	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>14,268</u>	<u>\$ 156,126</u>
19				
20	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
21				
22	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
23				
24	Havasu	\$ 1.72	160,957	\$ 276,846
25				
26	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>160,957</u>	<u>\$ 276,846</u>
27				
28				
29	Miscellaneous Revenue			10,532
30				
31	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 443,504</u></u>
32				
33	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			\$ 443,391
34	Difference			\$ 113

References:

Column (A): TJC-16, Page 2 - Recommended/Proposed Rates

Column (B): Response To RUCO Data Request No. 1.04

Column (C): Columns (A) X (B)

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 10.00	\$ 14.61	\$ 10.75
2	1 Inch Residential	17.10	24.98	18.00
3	1.5 Inch Residential	24.00	35.06	25.00
4	2 Inch Residential	33.60	49.09	32.00
5	3 Inch Residential	45.60	66.62	44.00
6	4 Inch Residential	57.60	84.15	61.00
7	6 Inch Residential	200.00	292.20	215.00
8	8 Inch Residential	400.00	584.40	430.00
9				
10	5/8 Inch Commercial	10.00	14.61	10.75
11	1 Inch Commercial	17.10	24.98	18.00
12	2 Inch Commercial	33.60	49.09	32.00
13	3 Inch Commercial	45.60	66.62	44.00
14	4 Inch Commercial	57.60	84.15	61.00
15	6 Inch Commercial	200.00	292.20	215.00
16	8 Inch Commercial	400.00	584.40	430.00
17				
18	Multi-Family - All Meter Sizes	10.00	14.61	10.75
19				
20	<u>Gallons In Minimum</u>			
21	All, except Multi-Unit Properties	1000	1,000	0
22	Multi-Units based on multiple of 5/8 x 3/4			
23				
24	<u>Tier 1: Gallons up to 999,999,999</u>			
25	All, except Multi-Unit Properties	999,999,999	999,999,999.00	999,999,999.00
26	Multi-Units based on multiple of 5/8 x 3/4			
27				
28				
29	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
30				
31	Summer Rate	1.42	2.07	1.72
32	Winter Rate	1.31	1.91	1.72
33				
34				
35				
36	References:			
37	Columns (A) & (B): Company Schedule H-3, Pages 1 & 2			
38	Column (C): TJC-16, Page 1			

TABLE OF CONTENTS TO TJC SCHEDULES

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TJC-1	2	GROSS REVENUE CONVERSION FACTOR
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TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4	1 TO 17	RATE BASE ADJUSTMENT NO. 1 - TEST YEAR PLANT SCHEDULES
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TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 7 - RATE CASE EXPENSE
TJC-14	1 TO 2	OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
TJC-15	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
TJC-16	1 TO 2	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 15,212,896	\$ 493,771	\$ 15,706,667	\$ 7,531,475
2	Adjusted Operating Income (Loss)	\$ 796,077		\$ 796,077	\$ 972,325
3	Current Rate Of Return (L2 / L1)	5.23%		5.07%	12.91%
4	Required Operating Income (L5 X L1)	\$ 1,178,929		\$ 1,217,267	\$ 494,863
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 382,853		\$ 421,190	\$ (477,463)
7	Gross Revenue Conversion Factor (Sch. TJC-1, page 2)	1.6286		1.6286	1.6549
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 623,527		685,950	\$ (790,139)
9	Adjusted Test Year Revenue	\$ 4,394,775		\$ 4,394,775	\$ 4,394,775
10	Proposed Annual Revenue (L8 + L9)	\$ 5,018,302		\$ 5,080,725	\$ 3,604,636
11	Required Percentage Increase In Revenue (L8 / L9)	14.19%		15.61%	-17.98%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedules TJC-2

Column (C): Recalculated After Adjusting To OCRB

Column (D): RUCO SCHEDULES TJC-3, TJC-6, and TJC-19

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.3957			
3	Subtotal (L1 - L2)	0.6043			
4	Revenue Conversion Factor (L1 / L3)	1.6549			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	35.0464%			
9	Effective Federal Income Tax Rate (L7 X L8)	32.6043%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	39.5723%			
11	Required Operating Income (Sch. TJC-1, Col. (B), L4)	\$ 494,863			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. TJC-1, Col. (B), L2)	972,325			
13	Required Increase In Operating Income (L11 - L12)		\$ (477,463)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 180,214			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	492,891			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ (312,677)		
17	Total Required Increase In Revenue (L13 + L16)		\$ (790,139)		
CALCULATION OF INCOME TAX:					
18	Revenue (Sch. TJC-1, Col. (B), L10)			RUCO Recommended	
19	Less: Opr'g Exp. Excl. Inc. Tax (TJC-6, Col. (E), L25 - L23)			\$ 3,604,636	
20	Less: Synchronized Interest (Col. (C), L37)			2,929,558	
21	Arizona Taxable Income (L18 - L19 - L20)			219,672	
22	Arizona State Income Tax Rate			\$ 455,405	
23	Arizona Income Tax (L21 X L22)			6.9680%	\$ 31,733
24	Fed. Taxable Income (L21 - L23)			\$ 423,672	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			126,232	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 148,482
31	Combined Federal And State Income Tax (L23 + L30)				\$ 180,214
32	Test Year Combined Income Tax, RUCO As Adjusted (TJC-6, Col. (C), L23)				\$ 492,891
33	Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				\$ (312,677)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				35.05%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. TJC-3, Col. (C), L16)			\$ 7,531,475	
36	Weighted Avg. Cost Of Debt (Sch. TJC-13, Col. (F), L1 + L2)			2.92%	
37	Synchronized Interest (L35 X L36)			\$ 219,672	

FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJM'TS TO OCRB	(C) COMPANY FILED AS OCRB	(D) RUCO OCRB ADJM'TS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 37,349,632	\$ (13,516,553)	\$ 23,833,079	\$ (22,525)	\$ 23,810,554
	Less:					
2	Accumulated Depreciation	12,174,906	(4,322,261)	7,852,645	1,245,256	9,097,901
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 25,174,726</u>	<u>\$ (9,194,292)</u>	<u>\$ 15,980,434</u>	<u>\$ (1,267,781)</u>	<u>\$ 14,712,653</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 5,425,697	\$ (1,963,519)	\$ 3,462,178	\$ 0	\$ 4,208,406
5	Contribution In Aid Of Const. ("CIAC")	\$ 4,428,421	\$ (1,602,612)	\$ 2,825,809	\$ 0	\$ 2,865,061
6	Less: Accumulated Amortization	-	-	-	-	0
7	NET CIAC (L4 - L5)	<u>\$ 4,428,421</u>	<u>\$ (1,602,612)</u>	<u>\$ 2,825,809</u>	<u>\$ 0</u>	<u>\$ 2,865,061</u>
8	Customer Meter Deposits	\$ 107,711	\$ 0	\$ 107,711	\$ 0	\$ 107,711
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	-	6,121,931	(6,121,931)	0
15	Adjustment Due To Rounding	(1)	-	-	-	0
16	<b>TOTAL RATE BASE</b>	<u>\$ 15,212,896</u>	<u>\$ (5,628,161)</u>	<u>\$ 15,706,667</u>	<u>\$ (7,389,712)</u>	<u>\$ 7,531,475</u>

References:

Column (A): Company Schedule B-1  
Column (B): Column (C) Minus Column (A)  
Column (C): Company Schedule B-1, page 1  
Column (D): Schedule TJC-3  
Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJMT # 1	(C) RUCO ADJMT # 2	(D) RUCO ADJMT # 3	(E) RUCO ADJMT # 4	(F) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 23,833,079	\$ (71,666)	\$ 49,141	\$ 0	\$ 0	\$ 23,810,554
	Less:						
2	Accumulated Depreciation	7,852,645	1,225,841	19,416	-		9,097,901
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 15,980,434</u>	<u>\$ (1,297,507)</u>	<u>\$ 29,725</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,712,653</u>
	Less:						
4	Advances In Aid Of Const. ("AIAC")	\$ 3,462,178	\$ -	\$ -	\$ 0	746,228	\$ 4,208,406
5	Contribution In Aid Of Const. ("CIAC")	\$ 2,825,809	-	\$ -	\$ 0	39,252	2,865,061
6	Less: Accumulated Amortization	-	-	-	-		-
7	NET CIAC (L5 - L6)	<u>\$ 2,825,809</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,252</u>	<u>\$ 2,865,061</u>
8	Customer Meter Deposits	\$ 107,711	\$ -	\$ -	\$ 0	\$ 0	\$ 107,711
9	Deferred Income Taxes And Credits	-	-	-	-		-
10	Investment Tax Credits	-	-	-	-		-
	Plus:						
11	Unamortized Finance Charges	\$ 0	0	\$ 0	\$ 0		\$ 0
12	Deferred Tax Assets	-	-	-	-		-
13	Allowance For Working Capital	-	-	-	-		-
14	Citizens Acquisition Adjustment	6,121,931	-	-	(6,121,931)		-
15	Adjustment Due To Rounding	-	-	-	-		-
16	<b>TOTAL RATE BASE</b>	<u>\$ 15,706,667</u>	<u>\$ (1,297,507)</u>	<u>\$ 29,725</u>	<u>\$ (6,121,931)</u>	<u>\$ (785,480)</u>	<u>\$ 7,531,475</u>

**References:**

Column (A): Company Schedule B-2 and TJC-2, Col. (C)

Column (B): Adjustment To Test Year Total Plant and Accumulated Depreciation (See TJC-4, Page 17, Col. (E) and (F), Line 48)

Column (B): Adjustment To Test Year Total Plant and Accumulated Depreciation (See TJC-5, Page 1, Col. (E) and (F), Line 50)

Column (D): Adjustment To Citizens Acquisition Adjustment (See Schedule TJC-2)

Column (E): Sum of Columns (A) Thru (D)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 56806**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1988 TOTAL PLANT	(C) ADJUSTMENT TO 03/31/88 PRIOR T. Y.	(D) ACTUAL 03/31/88 PRIOR T. Y. TOTAL PLANT
		INTANGIBLE				
1	301.00	Organization	0.0020	\$ 17,866	\$ (19)	\$ 17,847
2	302.00	Franchises	0.0008	7,299	(8)	7,291
3	303.00	Miscellaneous Intangibles	0.0000	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 25,165	\$ (27)	\$ 25,138
		SOURCE OF SUPPLY				
5	310.00	Land And Land Rights	0.0204	\$ 185,441	\$ (201)	\$ 185,240
6	311.00	Structures And Improvements	0.0132	119,525	(129)	119,396
7	312.00	Collecting And Impounding Res.	0.0000	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	0
9	314.00	Wells And Springs	0.0434	394,398	(427)	393,971
10		SUBTOTAL SUPPLY		\$ 699,364	\$ (757)	\$ 698,607
		PUMPING				
11	320.00	Land And Land Rights	0.0003	\$ 2,361	\$ (3)	\$ 2,358
12	321.00	Structures And Improvements	0.0011	10,193	(11)	10,182
13	323.00	Other Power Production	0.0000	-	-	0
14	325.00	Electric Pumping Equipment	0.0854	775,565	(840)	774,725
15	326.00	Diesel Pumping Equipment	0.0000	-	-	0
16	328.10	Gas Engine Pumping Equipment	0.0000	-	-	0
17		SUBTOTAL PUMPING		\$ 788,119	\$ (853)	\$ 787,266
		WATER TREATMENT				
18	330.00	Land And Land Rights	0.0000	\$ -	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0017	15,157	(16)	15,141
20	332.00	Water Treatment Equipment	0.0036	32,926	(36)	32,990
21		SUBTOTAL TREATMENT		\$ 48,083	\$ (52)	\$ 48,031
		TRANSMISSION & DISTRIBUTION				
22	340.00	Land And Land Rights	0.0010	\$ 8,725	\$ (9)	\$ 8,716
23	341.00	Structures And Improvements	0.0005	4,583	(5)	4,578
24	342.00	Distribution, Reservoirs, & ST	0.0512	464,691	(503)	464,188
25	343.00	Trans. And Dist. Mains	0.5633	5,114,645	(5,537)	5,109,108
26	344.00	Fire Mains	0.0000	-	-	0
27	345.00	Services	0.1084	983,897	(1,065)	982,832
28	346.00	Meters	0.1003	911,134	(986)	910,148
29	348.00	Hydrants	0.0035	31,385	(34)	31,351
30	349.00	Other Trans. And Dist.	0.0000	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 7,519,060	\$ (8,140)	\$ 7,510,920
		GENERAL				
32	389.00	Land And Land Rights	0.0000	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	0.0000	140,300	-	140,300
34	391.00	Office Furniture And Equipment	0.0000	42,355	-	42,355
35	391.10	Computer Equipment	0.0000	-	-	0
36	392.00	Transportation Equipment	0.0000	153,995	-	153,995
37	393.00	Stores Equipment	0.0000	3,610	-	3,610
38	394.00	Tools, Shop And Garage	0.0000	41,990	-	41,990
39	395.00	Laboratory Equipment	0.0000	4,661	-	4,661
40	396.00	Power Operated Equipment	0.0000	56,826	-	56,826
41	397.00	Communication Equipment	0.0000	18,601	-	18,601
42	398.00	Miscellaneous Equipment	0.0000	10,449	-	10,449
43		SUBTOTAL GENERAL		\$ 473,117	\$ 0	\$ 473,117
44		TOTAL WATER PLANT		\$ 9,552,908	\$ (9,829)	\$ 9,543,079
45		ACC Decision No. 56806 Allowed Rate Base Adjustment (\$9,829)		\$ -	\$ 0	\$ 0
46		Adjustment Due To Rounding		-	-	0
47		ADJUSTED WATER PLANT		\$ 9,552,908	\$ (9,829)	\$ 9,543,079

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L47) (Excluding General Plant)

Column (B): Company Adjusted Plant Balances Per Decision No. 56806, Staff Schedule DKP-3, Page 4 of 4 on File at ACC

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment of Plant for (\$9,829) As Per Prior ACC Decision No. 56806

Column (D): Columns (B) + (C). Prior Rate Case Decision No. 56806, Commission Approved Adjustments

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**PRIOR TEST YEAR ENDED MARCH 31, 1988**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
		INTANGIBLE						
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 17,847	\$ 0	\$ 17,847
2	302.00	Franchises	0.00%	-	-	7,291	-	7,291
3	303.00	Miscellaneous Intangibles	0.00%	-	-	0	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 25,138	\$ 0	\$ 25,138
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 185,240	\$ 0	\$ 185,240
6	311.00	Structures And Improvements	2.83%	-	-	119,396	-	119,396
7	312.00	Collecting And Impounding Reservoirs	2.54%	-	-	0	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.00%	-	-	0	-	0
9	314.00	Wells And Springs	2.70%	-	-	393,971	-	393,971
10		SUBTOTAL SOURCE OF SUPPLY		\$ 0	\$ 0	\$ 698,607	\$ 0	\$ 698,607
		PUMPING						
11	320.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,358
12	321.00	Structures And Improvements	2.39%	-	-	10,193	-	10,182
13	323.00	Other Power Production	0.00%	-	-	-	-	0
14	325.00	Electric Pumping Equipment	5.12%	-	-	775,565	-	774,725
15	326.00	Diesel Pumping Equipment	0.00%	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	0.00%	-	-	0	-	0
17		SUBTOTAL PUMPING		\$ -	\$ 0	\$ 788,119	\$ 0	\$ 787,268
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	2.50%	-	-	15,157	-	15,141
20	332.00	Water Treatment Equipment	12.00%	-	-	32,926	-	32,890
21		SUBTOTAL WATER TREATMENT		\$ 0	\$ 0	\$ 48,083	\$ 0	\$ 48,031
		TRANSMISSION AND DISTRIBUTION						
22	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 8,725	\$ 0	\$ 8,716
23	341.00	Structures And Improvements	1.81%	-	-	4,583	-	4,578
24	342.00	Distribution, Reservoirs, & ST	1.81%	-	-	464,691	-	464,188
25	343.00	Transmission And Distribution Mains	2.61%	-	-	5,090,918	-	5,109,108
26	344.00	Fire Mains	0.00%	-	-	-	-	0
27	345.00	Services	5.41%	-	-	981,190	-	982,832
28	346.00	Meters	6.53%	-	-	893,986	-	910,148
29	348.00	Hydrants	0.00%	-	-	31,385	-	31,351
30	349.00	Other Transmission And Distribution	0.00%	-	-	-	-	0
31		SUBTOTAL TRANS. AND DIST.		\$ 0	\$ 0	\$ 7,475,478	\$ 0	\$ 7,510,920
		GENERAL						
32	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	2.03%	-	-	140,300	-	140,300
34	391.00	Office Furniture And Equipment	4.10%	-	-	42,355	-	42,355
35	391.10	Computer Equipment	4.10%	-	-	0	-	0
36	392.00	Transportation Equipment	25.00%	-	-	153,995	-	153,995
37	393.00	Stores Equipment	3.93%	-	-	3,610	-	3,610
38	394.00	Tools, Shop And Garage	7.55%	-	-	41,990	-	41,990
39	395.00	Laboratory Equipment	3.06%	-	-	4,661	-	4,661
40	396.00	Power Operated Equipment	9.23%	-	-	56,826	-	56,826
41	397.00	Communication Equipment	4.10%	-	-	18,601	0	18,601
42	398.00	Miscellaneous Equipment	6.19%	-	-	10,449	-	10,449
43		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 473,117	\$ 0	\$ 473,117
44		Acc. Depre. March 31, 1988		-	-	-	\$ 1,570,861	0
45		Adjustment Due To Rounding	4.00%	-	-	-	-	0
46		TOTAL WATER PLANT		\$ 0	\$ 0	\$ 9,508,542	\$ 1,570,861	\$ 7,927,218

References:

Column (D): Schedule TJC-4, Page 1 and ACC Authorized Plant Balances Per Decision No. 56806 for Test Year Ended March 31, 1988

Column (E): ACC Decision No. 56806 Authorized Accumulated Depreciation Balance as of March 31, 1988

Column (F): Column (D) - Column (E)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR END DECEMBER 31, 1988**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 3,462	\$ 0	\$ 0	\$ 0	\$ 21,309	\$ 0	\$ 21,309
2	302.00	Franchises	-	-	-	-	7,291	-	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	-	0
4		SUBTOTAL INTANGIBLE	\$ 3,462	\$ 0	\$ 0	\$ 0	\$ 28,600	\$ 0	\$ 28,600
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 16,585	\$ 0	\$ 0	\$ 0	\$ 201,825	\$ 0	\$ 201,825
6	311.00	Structures And Improvements	-	-	-	2,534	119,396	2,534	116,861
7	312.00	Collecting And Impounding Res.	3,119	-	-	30	3,119	30	3,089
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	-	0
9	314.00	Wells And Springs	88,160	-	-	8,871	482,131	8,871	473,261
10		SUBTOTAL SUPPLY	\$ 107,864	\$ 0	\$ 0	\$ 11,434	\$ 806,471	\$ 11,434	\$ 795,037
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	183	10,193	183	10,010
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	51,894	-	-	30,778	827,459	30,778	796,681
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	-	0
17		SUBTOTAL PUMPING	\$ 51,894	\$ 0	\$ 0	\$ 30,961	\$ 840,013	\$ 30,961	\$ 809,052
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	284	15,157	284	14,873
20	332.00	Water Treatment Equipment	-	-	-	2,963	32,926	2,963	29,963
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 3,248	\$ 48,083	\$ 3,248	\$ 44,835
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 884	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	62	4,583	62	4,521
24	342.00	Distribution, Reservoirs, & ST	72,701	-	-	6,802	537,392	6,802	530,590
25	343.00	Trans. And Dist. Mains	935,620	-	-	108,812	6,026,538	108,812	5,917,726
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	47,942	-	-	40,784	1,029,132	40,784	988,348
28	346.00	Meters	75,985	-	-	45,644	969,971	45,644	924,327
29	348.00	Hydrants	-	-	-	-	31,385	-	31,385
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 1,133,132	\$ 0	\$ 0	\$ 202,104	\$ 8,608,610	\$ 202,104	\$ 8,406,506
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,136	140,300	2,136	138,164
34	391.00	Office Furniture And Equipment	360	-	-	1,308	42,715	1,308	41,407
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	28,874	153,995	28,874	125,121
37	393.00	Stores Equipment	1,348	-	-	126	4,958	126	4,832
38	394.00	Tools, Shop And Garage	-	-	-	2,378	41,990	2,378	39,612
39	395.00	Laboratory Equipment	-	-	-	107	4,661	107	4,554
40	396.00	Power Operated Equipment	-	-	-	3,934	56,826	3,934	52,892
41	397.00	Communication Equipment	89	-	-	573	18,690	573	18,117
42	398.00	Miscellaneous Equipment	2,504	-	-	543	12,953	543	12,410
43		SUBTOTAL GENERAL	\$ 4,301	\$ 0	\$ 0	\$ 39,979	\$ 477,418	\$ 39,979	\$ 437,439
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding						-	0
46		TOTAL WATER PLANT	\$ 1,300,653	\$ 0	\$ 0	\$ 287,726	\$ 10,809,195	\$ 1,858,587	\$ 8,950,608

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D):  $0.75 \times [(\text{Col. (A)} + \text{Col. (B)}) \times \text{TJC-4, Page 2, Col. (A)} \times 1/2 \text{ yr. conv.}] + [\text{TJC-4, Page 2, Col. (D)} - \text{Col. (C)}] \times \text{TJC-4, Page 1, Col. (A)}$

Column (E): Schedule TJC-4, Page 2, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 2, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION  
YEAR ENDED DECEMBER 31, 1989**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,309	\$ 0	\$ 21,309
2	302.00	Franchises	-	-	-	-	7,291	-	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,600	\$ 0	\$ 28,600
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 28,324	\$ 0	\$ 0	\$ 0	\$ 230,149	\$ 0	\$ 230,149
6	311.00	Structures And Improvements	-	-	-	3,379	119,396	5,913	113,483
7	312.00	Collecting And Impounding Res.	2,293	-	-	108	5,412	138	5,274
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	-	0
9	314.00	Wells And Springs	97,863	-	-	14,336	579,794	23,207	556,588
10		SUBTOTAL SUPPLY	\$ 128,280	\$ 0	\$ 0	\$ 17,823	\$ 934,751	\$ 29,258	\$ 905,493
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	426	9,767
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	189,316	-	-	47,212	1,016,775	77,990	938,785
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	-	0
17		SUBTOTAL PUMPING	\$ 189,316	\$ 0	\$ 0	\$ 47,456	\$ 1,029,329	\$ 78,417	\$ 950,913
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	379	15,157	663	14,494
20	332.00	Water Treatment Equipment	5,314	-	-	4,270	38,240	7,233	31,007
21		SUBTOTAL TREATMENT	\$ 5,314	\$ 0	\$ 0	\$ 4,649	\$ 53,397	\$ 7,896	\$ 45,501
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	145	4,438
24	342.00	Distribution, Reservoirs, & ST	6,253	-	-	9,783	543,645	16,585	527,060
25	343.00	Trans. And Dist. Mains	593,132	-	-	165,033	6,619,670	273,845	6,345,825
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	85,094	-	-	57,978	1,114,226	98,762	1,015,464
28	346.00	Meters	47,629	-	-	64,894	1,017,600	110,538	907,062
29	348.00	Hydrants	-	-	-	-	31,385	-	31,385
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 732,108	\$ 0	\$ 0	\$ 297,771	\$ 9,340,718	\$ 499,875	\$ 8,840,843
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,848	140,300	4,984	135,316
34	391.00	Office Furniture And Equipment	3,169	-	-	1,816	45,884	3,124	42,760
35	391.10	Computer Equipment	-	-	-	0	0	0	0
36	392.00	Transportation Equipment	-	-	-	38,499	153,995	67,373	86,622
37	393.00	Stores Equipment	-	-	-	195	4,958	321	4,637
38	394.00	Tools, Shop And Garage	-	-	-	3,170	41,990	5,548	36,442
39	395.00	Laboratory Equipment	-	-	-	143	4,661	250	4,411
40	396.00	Power Operated Equipment	-	-	-	5,245	56,826	9,179	47,647
41	397.00	Communication Equipment	-	-	-	766	18,690	1,340	17,350
42	398.00	Miscellaneous Equipment	393	-	-	814	13,346	1,357	11,989
43		SUBTOTAL GENERAL	\$ 3,562	\$ 0	\$ 0	\$ 53,496	\$ 480,980	\$ 93,475	\$ 387,505
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 1,058,580	\$ 0	\$ 0	\$ 421,196	\$ 11,867,775	\$ 2,279,783	\$ 9,587,993

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 3, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 3, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 3, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1990**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 1,421	\$ 0	\$ 0	\$ 0	\$ 22,730	\$ 0	\$ 22,730
2	302.00	Franchises	-	-	-	0	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	0	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 1,421	\$ 0	\$ 0	\$ 0	\$ 30,021	\$ 0	\$ 30,021
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 230,149	\$ 0	\$ 230,149
6	311.00	Structures And Improvements	90,091	-	-	4,654	209,486	10,567	198,919
7	312.00	Collecting And Impounding Res.	19,803	-	-	389	25,215	527	24,688
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	0	0	0	0
9	314.00	Wells And Springs	-	119,565	-	17,269	460,229	40,475	419,753
10		SUBTOTAL SUPPLY	\$ 109,894	\$ 119,565	\$ 0	\$ 22,311	\$ 925,079	\$ 51,569	\$ 873,510
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	670	9,523
13	323.00	Other Power Production	-	-	-	0	-	0	-
14	325.00	Electric Pumping Equipment	79,886	79,105	-	56,129	1,017,556	134,120	883,437
15	326.00	Diesel Pumping Equipment	-	-	-	0	-	0	-
16	328.10	Gas Engine Pumping Equipment	-	-	-	0	0	0	0
17		SUBTOTAL PUMPING	\$ 79,886	\$ 79,105	\$ 0	\$ 56,373	\$ 1,030,110	\$ 134,789	\$ 895,322
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	379	15,157	1,042	14,115
20	332.00	Water Treatment Equipment	16,777	-	-	5,595	55,017	12,829	42,188
21		SUBTOTAL TREATMENT	\$ 16,777	\$ 0	\$ 0	\$ 5,974	\$ 70,174	\$ 13,871	\$ 56,303
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	228	4,355
24	342.00	Distribution, Reservoirs, & ST	-	68,617	-	10,461	475,028	27,046	447,982
25	343.00	Trans. And Dist. Mains	238,816	496,170	-	182,365	6,362,316	456,210	5,906,106
26	344.00	Fire Mains	-	-	-	0	-	0	-
27	345.00	Services	105,606	-	-	63,136	1,219,832	161,899	1,057,933
28	346.00	Meters	136,348	-	-	70,901	1,153,948	181,439	972,509
29	348.00	Hydrants	1	-	-	0	31,386	0	31,386
30	349.00	Other Trans. And Dist.	-	-	-	0	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 480,771	\$ 564,787	\$ 0	\$ 326,946	\$ 9,256,702	\$ 826,822	\$ 8,429,880
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	1,040	-	2,859	139,260	7,843	131,417
34	391.00	Office Furniture And Equipment	77,274	-	-	3,465	123,158	6,590	116,568
35	391.10	Computer Equipment	277	277	-	11	0	11	(11)
36	392.00	Transportation Equipment	50,157	-	-	44,768	204,152	112,141	92,011
37	393.00	Stores Equipment	-	1,120	-	217	3,838	538	3,300
38	394.00	Tools, Shop And Garage	13,428	-	-	3,677	55,418	9,225	46,193
39	395.00	Laboratory Equipment	-	-	-	143	4,661	392	4,269
40	396.00	Power Operated Equipment	6,295	-	-	5,536	63,121	14,714	48,407
41	397.00	Communication Equipment	8,855	-	-	948	27,545	2,287	25,257
42	398.00	Miscellaneous Equipment	-	2,505	-	904	10,841	2,261	8,580
43		SUBTOTAL GENERAL	\$ 156,286	\$ 4,942	\$ 0	\$ 62,527	\$ 632,323	\$ 156,003	\$ 476,320
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 845,035	\$ 768,399	\$ 0	\$ 474,132	\$ 11,944,409	\$ 2,753,915	\$ 9,190,495

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 4, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1991**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,730	\$ 0	\$ 22,730
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0.00	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,021	\$ 0	\$ 30,021
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 230,149	\$ 0	\$ 230,149
6	311.00	Structures And Improvements	1,087	-	-	5,944	210,573	16,511	194,063
7	312.00	Collecting And Impounding Res.	-	-	-	640	25,215	1,167	24,048
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	285	-	-	12,430	460,514	52,905	407,608
10		SUBTOTAL SUPPLY	\$ 1,372	\$ 0	\$ 0	\$ 19,014	\$ 926,451	\$ 70,583	\$ 855,868
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	914	9,279
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	40,764	9,758	-	53,392	1,048,562	177,754	870,809
15	326.00	Diesel Pumping Equipment	-	-	-	-	0	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	0	0	0
17		SUBTOTAL PUMPING	\$ 40,764	\$ 9,758	\$ 0	\$ 53,636	\$ 1,061,116	\$ 178,667	\$ 882,450
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	379	15,157	1,421	13,736
20	332.00	Water Treatment Equipment	-	-	-	6,602	55,017	19,431	35,586
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 6,981	\$ 70,174	\$ 20,852	\$ 49,322
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	311	4,272
24	342.00	Distribution, Reservoirs, & ST	260,425	-	-	10,955	735,453	38,001	697,452
25	343.00	Trans. And Dist. Mains	104,970	24,310	-	167,744	6,442,976	599,644	5,843,332
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	129,976	3,052	-	89,591	1,346,756	228,438	1,118,318
28	346.00	Meters	114,077	49,825	-	80,704	1,218,200	212,318	1,005,882
29	348.00	Hydrants	6,673	1	-	-	38,058	0	38,058
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 616,121	\$ 77,188	\$ 0	\$ 329,077	\$ 9,796,635	\$ 1,078,711	\$ 8,716,924
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	1,104	-	2,838	138,156	9,577	128,579
34	391.00	Office Furniture And Equipment	49,853	910	-	6,090	172,101	11,770	160,331
35	391.10	Computer Equipment	-	-	-	0	0	11	(11)
36	392.00	Transportation Equipment	19,185	2	-	53,436	223,335	165,576	57,759
37	393.00	Stores Equipment	-	-	-	151	3,838	689	3,149
38	394.00	Tools, Shop And Garage	4,949	744	-	4,399	59,623	12,880	46,743
39	395.00	Laboratory Equipment	3,010	-	-	189	7,671	581	7,090
40	396.00	Power Operated Equipment	-	-	-	5,826	63,121	20,540	42,581
41	397.00	Communication Equipment	50,937	23,409	-	2,653	55,073	(18,468)	73,541
42	398.00	Miscellaneous Equipment	174	-	-	676	11,015	2,937	8,077
43		SUBTOTAL GENERAL	\$ 128,108	\$ 26,169	\$ 0	\$ 76,259	\$ 734,262	\$ 206,093	\$ 528,169
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	(1)	(1)	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 786,364	\$ 113,114	\$ 0	\$ 484,967	\$ 12,617,659	\$ 3,125,768	\$ 9,491,892

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 5, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 5, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 5, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION  
YEAR ENDED DECEMBER 31, 1992**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,730	\$ 0	\$ 22,730
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,021	\$ 0	\$ 30,021
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 230,149	\$ 0	\$ 230,149
6	311.00	Structures And Improvements	52	-	-	5,960	210,625	22,471	188,155
7	312.00	Collecting And Impounding Res.	1,029	-	-	654	26,244	1,821	24,423
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	-	-	12,434	460,514	65,339	395,175
10		SUBTOTAL SUPPLY	\$ 1,081	\$ 0	\$ 0	\$ 19,047	\$ 927,532	\$ 89,631	\$ 837,901
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	1,157	9,036
13	323.00	Other Power Production	-	-	-	-	-	0	(0)
14	325.00	Electric Pumping Equipment	70,673	12,318	-	55,811	1,106,917	221,247	885,671
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 70,673	\$ 12,318	\$ 0	\$ 56,055	\$ 1,119,472	\$ 222,404	\$ 897,069
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	379	15,157	1,800	13,357
20	332.00	Water Treatment Equipment	1,682	-	-	6,703	56,699	26,134	30,565
21		SUBTOTAL TREATMENT	\$ 1,682	\$ 0	\$ 0	\$ 7,082	\$ 71,856	\$ 27,934	\$ 43,922
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	394	4,189
24	342.00	Distribution, Reservoirs, & ST	-	-	-	13,312	735,453	51,313	684,140
25	343.00	Trans. And Dist. Mains	455,633	76	-	174,109	6,898,533	773,676	6,124,857
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	102,256	954	-	75,651	1,448,058	303,135	1,144,923
28	346.00	Meters	100,867	43,998	-	84,278	1,275,069	252,598	1,022,471
29	348.00	Hydrants	-	-	-	-	38,058	0	38,058
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	(0)
31		SUBTOTAL TRANS. & DIST.	\$ 658,756	\$ 45,028	\$ 0	\$ 347,433	\$ 10,409,363	\$ 1,381,116	\$ 9,028,247
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,805	138,156	12,382	125,774
34	391.00	Office Furniture And Equipment	24,519	-	-	7,559	196,620	19,328	177,292
35	391.10	Computer Equipment	-	-	-	0	0	11	(11)
36	392.00	Transportation Equipment	56,139	33,527	-	67,042	245,947	199,091	46,856
37	393.00	Stores Equipment	-	-	-	151	3,838	840	2,998
38	394.00	Tools, Shop And Garage	12,698	134	-	4,986	72,187	17,732	54,455
39	395.00	Laboratory Equipment	-	-	-	235	7,671	816	6,855
40	396.00	Power Operated Equipment	3,679	-	-	5,996	66,800	26,536	40,264
41	397.00	Communication Equipment	4,539	-	-	2,351	59,611	(16,117)	75,728
42	398.00	Miscellaneous Equipment	121	-	-	686	11,135	3,623	7,512
43		SUBTOTAL GENERAL	\$ 101,695	\$ 33,661	\$ 0	\$ 91,809	\$ 802,295	\$ 264,241	\$ 538,054
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	(1)	-	-	-	(1)	-	0
46		TOTAL WATER PLANT	\$ 833,886	\$ 91,007	\$ 0	\$ 521,426	\$ 13,360,538	\$ 3,556,187	\$ 9,804,353

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 6, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 6, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 6, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1993**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,730	\$ 0	\$ 22,730
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,021	\$ 0	\$ 30,021
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 3,454	\$ 10,679	\$ 0	\$ 0	\$ 222,924	\$ (10,679)	\$ 233,603
6	311.00	Structures And Improvements	188,402	2,741	-	8,665	396,287	28,395	367,892
7	312.00	Collecting And Impounding Res.	-	-	-	667	26,244	2,488	23,756
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	-	-	12,434	460,514	77,773	382,741
10		SUBTOTAL SUPPLY	\$ 191,856	\$ 13,420	\$ 0	\$ 21,766	\$ 1,105,969	\$ 97,976	\$ 1,007,993
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	1,401	8,792
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	43,822	18,562	-	58,271	1,132,177	260,956	871,222
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 43,822	\$ 18,562	\$ 0	\$ 58,515	\$ 1,144,731	\$ 262,357	\$ 882,376
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	379	15,157	2,179	12,978
20	332.00	Water Treatment Equipment	-	-	-	6,804	56,699	32,938	23,761
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 7,183	\$ 71,856	\$ 35,116	\$ 36,740
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	477	4,106
24	342.00	Distribution, Reservoirs, & ST	284,827	28,412	-	16,147	991,868	39,047	952,821
25	343.00	Trans. And Dist. Mains	571,136	6,995	-	187,596	7,462,674	954,278	6,508,396
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	178,158	11,367	-	83,467	1,614,849	375,235	1,239,614
28	346.00	Meters	188,689	48,438	-	91,004	1,415,920	295,165	1,120,755
29	348.00	Hydrants	5,827	-	-	-	43,885	0	43,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 1,228,637	\$ 95,212	\$ 0	\$ 378,297	\$ 11,542,788	\$ 1,664,201	\$ 9,878,587
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,805	138,156	15,186	122,970
34	391.00	Office Furniture And Equipment	118,223	1,162	-	10,509	313,681	28,675	285,006
35	391.10	Computer Equipment	-	-	-	0	0	11	(11)
36	392.00	Transportation Equipment	33,530	17,565	-	67,874	261,912	249,399	12,513
37	393.00	Stores Equipment	-	-	-	151	3,838	990	2,848
38	394.00	Tools, Shop And Garage	15,283	529	-	6,047	86,941	23,250	63,691
39	395.00	Laboratory Equipment	-	-	-	235	7,671	1,050	6,621
40	396.00	Power Operated Equipment	-	-	-	6,166	66,800	32,702	34,098
41	397.00	Communication Equipment	2,625	-	-	2,498	62,236	(13,619)	75,855
42	398.00	Miscellaneous Equipment	72	304	-	701	10,903	4,020	6,883
43		SUBTOTAL GENERAL	\$ 169,733	\$ 19,560	\$ 0	\$ 96,984	\$ 952,468	\$ 341,665	\$ 610,803
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	-	-	-	-	(1)	-	0
46		TOTAL WATER PLANT	\$ 1,634,048	\$ 146,754	\$ 0	\$ 562,744	\$ 14,847,832	\$ 3,972,177	\$ 10,875,655

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 7, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 7, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 7, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1994**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,730	\$ 0	\$ 22,730
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,021	\$ 0	\$ 30,021
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,924	\$ (10,679)	\$ 233,603
6	311.00	Structures And Improvements	12,176	-	-	11,387	408,463	39,782	368,681
7	312.00	Collecting And Impounding Res.	-	-	-	667	26,244	3,154	23,090
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	-	-	12,434	460,514	90,207	370,307
10		SUBTOTAL SUPPLY	\$ 12,176	\$ 0	\$ 0	\$ 24,488	\$ 1,118,145	\$ 122,464	\$ 995,681
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	1,644	8,549
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	30,856	25,164	-	59,402	1,137,969	295,193	842,876
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 30,856	\$ 25,164	\$ 0	\$ 59,645	\$ 1,150,423	\$ 296,837	\$ 853,588
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	2,558	12,599
20	332.00	Water Treatment Equipment	685	-	-	6,845	57,384	39,783	17,601
21		SUBTOTAL TREATMENT	\$ 685	\$ 0	\$ 0	\$ 7,224	\$ 72,541	\$ 42,340	\$ 30,201
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	560	4,023
24	342.00	Distribution, Reservoirs, & ST	14,734	-	-	18,086	1,006,602	57,133	949,469
25	343.00	Trans. And Dist. Mains	192,243	6,441	-	197,369	7,648,476	1,145,205	6,503,271
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	175,518	2,457	-	92,178	1,787,910	464,955	1,322,955
28	346.00	Meters	173,720	44,060	-	99,531	1,544,980	350,636	1,194,344
29	348.00	Hydrants	-	-	-	-	43,885	0	43,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 558,215	\$ 52,958	\$ 0	\$ 407,246	\$ 12,046,045	\$ 2,018,489	\$ 10,027,556
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	1,604	-	-	2,821	139,760	18,007	121,753
34	391.00	Office Furniture And Equipment	6,261	5,715	-	13,106	314,227	36,067	278,160
35	391.10	Computer Equipment	13,612	-	-	279	13,612	290	13,322
36	392.00	Transportation Equipment	42,676	45,065	-	76,446	259,523	280,780	(21,257)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,142	2,696
38	394.00	Tools, Shop And Garage	17,336	1,190	-	7,263	103,087	29,324	73,763
39	395.00	Laboratory Equipment	-	-	-	235	7,671	1,285	6,386
40	396.00	Power Operated Equipment	-	-	-	6,166	66,800	38,868	27,932
41	397.00	Communication Equipment	2,177	-	-	2,596	64,413	(11,022)	75,435
42	398.00	Miscellaneous Equipment	1,262	174	-	719	11,991	4,566	7,426
43		SUBTOTAL GENERAL	\$ 84,928	\$ 52,144	\$ 0	\$ 109,782	\$ 985,252	\$ 399,305	\$ 585,947
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	1	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 684,861	\$ 130,266	\$ 0	\$ 608,385	\$ 15,402,427	\$ 4,450,297	\$ 10,952,131

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 8, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 8, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 8, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1995**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 16,138	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 16,138	\$ 0	\$ 0	\$ 0	\$ 46,159	\$ 0	\$ 46,159
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 19,320	\$ 0	\$ 0	\$ 0	\$ 242,244	\$ (10,679)	\$ 252,923
6	311.00	Structures And Improvements	14,943	-	-	11,771	423,406	51,553	371,853
7	312.00	Collecting And Impounding Res.	342	-	-	671	26,586	3,825	22,761
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	-	-	12,434	460,514	102,641	357,873
10		SUBTOTAL SUPPLY	\$ 34,605	\$ 0	\$ 0	\$ 24,876	\$ 1,152,750	\$ 147,340	\$ 1,005,410
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	1,887	8,306
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	50,547	2,920	-	59,628	1,185,496	351,900	833,596
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 50,547	\$ 2,920	\$ 0	\$ 59,871	\$ 1,198,050	\$ 353,787	\$ 844,264
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	2,937	12,220
20	332.00	Water Treatment Equipment	600	4,294	-	7,180	53,690	42,668	11,022
21		SUBTOTAL TREATMENT	\$ 600	\$ 4,294	\$ 0	\$ 7,559	\$ 68,847	\$ 45,605	\$ 23,242
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	643	3,940
24	342.00	Distribution, Reservoirs, & ST	49,390	-	-	18,666	1,055,992	75,800	980,192
25	343.00	Trans. And Dist. Mains	456,465	-	-	205,582	8,104,941	1,350,787	6,754,154
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	315,641	936	-	105,289	2,102,615	569,309	1,533,306
28	346.00	Meters	215,136	30,006	-	108,891	1,730,110	429,521	1,300,589
29	348.00	Hydrants	45,000	-	-	-	88,885	0	88,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 1,081,632	\$ 30,942	\$ 0	\$ 438,512	\$ 13,096,735	\$ 2,428,059	\$ 10,670,676
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,837	139,760	20,844	118,916
34	391.00	Office Furniture And Equipment	46,493	4,538	-	13,929	356,182	45,458	310,724
35	391.10	Computer Equipment	4,184	-	-	644	17,796	934	16,862
36	392.00	Transportation Equipment	-	-	-	64,881	259,523	345,661	(86,138)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,293	2,545
38	394.00	Tools, Shop And Garage	8,026	-	-	8,086	111,113	37,410	73,703
39	395.00	Laboratory Equipment	-	-	-	235	7,871	1,520	6,151
40	396.00	Power Operated Equipment	39,675	-	-	7,997	106,475	46,864	59,611
41	397.00	Communication Equipment	-	-	-	2,641	64,413	(8,381)	72,794
42	398.00	Miscellaneous Equipment	-	-	-	742	11,991	5,308	6,683
43		SUBTOTAL GENERAL	\$ 98,378	\$ 4,538	\$ 0	\$ 102,143	\$ 1,079,092	\$ 496,912	\$ 582,180
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	(2)	(1)	-	-	(1)	-	0
46		TOTAL WATER PLANT	\$ 1,281,898	\$ 42,693	\$ 0	\$ 632,960	\$ 16,841,632	\$ 5,040,564	\$ 11,801,070

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 9, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1996**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,159	\$ 0	\$ 46,159
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 4,081	\$ 0	\$ 0	\$ 0	\$ 246,325	\$ (10,679)	\$ 257,004
6	311.00	Structures And Improvements	3,217	2,947	-	12,070	423,676	60,676	363,000
7	312.00	Collecting And Impounding Res.	325,135	5	-	4,805	351,716	8,630	343,086
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	162,178	-	-	14,623	622,692	117,264	505,428
10		SUBTOTAL SUPPLY	\$ 494,611	\$ 2,952	\$ 0	\$ 31,497	\$ 1,644,409	\$ 175,890	\$ 1,468,519
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	244	10,193	2,130	8,063
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	206,144	44,355	-	67,110	1,347,285	374,719	972,567
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 206,144	\$ 44,355	\$ 0	\$ 67,354	\$ 1,359,839	\$ 376,849	\$ 982,991
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	3,316	11,841
20	332.00	Water Treatment Equipment	2,582	12	-	6,598	56,260	49,267	6,993
21		SUBTOTAL TREATMENT	\$ 2,582	\$ 12	\$ 0	\$ 6,977	\$ 71,417	\$ 52,582	\$ 18,835
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	726	3,857
24	342.00	Distribution, Reservoirs, & ST	59,621	-	-	19,653	1,115,613	95,453	1,020,160
25	343.00	Trans. And Dist. Mains	964,736	6,094	-	224,208	9,063,593	1,574,430	7,489,163
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	162,805	558	-	118,170	2,264,862	686,921	1,577,941
28	346.00	Meters	185,150	83,009	-	121,732	1,832,251	481,417	1,350,834
29	348.00	Hydrants	-	-	-	-	88,885	0	88,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 1,372,312	\$ 89,661	\$ 0	\$ 483,846	\$ 14,379,386	\$ 2,838,946	\$ 11,540,440
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,837	139,760	23,681	116,079
34	391.00	Office Furniture And Equipment	5,279	1,530	-	14,743	359,931	58,680	301,251
35	391.10	Computer Equipment	-	-	-	730	17,796	1,664	16,132
36	392.00	Transportation Equipment	42,514	82,925	-	80,561	219,112	343,296	(124,184)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,444	2,394
38	394.00	Tools, Shop And Garage	5,697	3,181	-	8,724	113,629	42,954	70,675
39	395.00	Laboratory Equipment	-	-	-	235	7,671	1,755	5,916
40	396.00	Power Operated Equipment	1,655	-	-	9,904	108,130	56,768	51,362
41	397.00	Communication Equipment	-	-	-	2,641	64,413	(5,740)	70,153
42	398.00	Miscellaneous Equipment	168	-	-	747	12,159	6,056	6,103
43		SUBTOTAL GENERAL	\$ 55,313	\$ 87,636	\$ 0	\$ 121,273	\$ 1,046,769	\$ 530,559	\$ 516,210
44		Acc. Depre: March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	-	-	-	-	(2)	-	0
46		TOTAL WATER PLANT	\$ 2,130,962	\$ 224,616	\$ 0	\$ 710,947	\$ 18,547,977	\$ 5,545,689	\$ 13,002,292

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 10, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 10, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 10, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1997**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	-	-	-	7,291	0	7,291
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0.00	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,159	\$ 0	\$ 46,159
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 246,325	\$ (10,679)	\$ 257,004
6	311.00	Structures And Improvements	(10,307)	-	-	11,844	413,369	72,520	340,849
7	312.00	Collecting And Impounding Res.	-	-	-	8,934	351,716	17,563	334,153
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	156,897	-	-	18,931	779,589	136,195	643,394
10		SUBTOTAL SUPPLY	\$ 146,590	\$ 0	\$ 0	\$ 39,709	\$ 1,790,999	\$ 215,599	\$ 1,575,400
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	(3,071)	-	-	207	7,122	2,337	4,785
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	112,006	-	-	71,848	1,459,291	446,567	1,012,725
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 108,935	\$ 0	\$ 0	\$ 72,055	\$ 1,468,774	\$ 448,903	\$ 1,019,872
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	3,695	11,462
20	332.00	Water Treatment Equipment	(7,263)	-	-	6,315	48,997	55,582	(6,585)
21		SUBTOTAL TREATMENT	\$ (7,263)	\$ 0	\$ 0	\$ 6,694	\$ 64,154	\$ 59,277	\$ 4,877
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	809	3,774
24	342.00	Distribution, Reservoirs, & ST	92,512	-	-	21,030	1,208,125	116,483	1,091,642
25	343.00	Trans. And Dist. Mains	896,901	-	-	248,264	9,960,484	1,822,694	8,137,790
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	157,837	-	-	126,799	2,422,699	813,720	1,608,979
28	346.00	Meters	106,231	-	-	123,114	1,938,482	604,532	1,333,950
29	348.00	Hydrants	-	-	-	-	88,885	0	88,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 1,253,481	\$ 0	\$ 0	\$ 519,290	\$ 15,632,867	\$ 3,358,238	\$ 12,274,631
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	(203)	-	-	2,835	139,557	26,516	113,041
34	391.00	Office Furniture And Equipment	(243,695)	-	-	9,761	116,236	68,442	47,794
35	391.10	Computer Equipment	206,513	-	-	4,963	224,309	6,627	217,682
36	392.00	Transportation Equipment	146,655	-	-	73,110	365,767	416,406	(50,639)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,596	2,242
38	394.00	Tools, Shop And Garage	1,058	-	-	8,619	114,687	51,574	63,113
39	395.00	Laboratory Equipment	(23)	-	-	234	7,648	1,989	5,659
40	396.00	Power Operated Equipment	(33,098)	-	-	8,453	75,032	65,221	9,811
41	397.00	Communication Equipment	(1,227)	-	-	2,616	63,186	(3,123)	66,309
42	398.00	Miscellaneous Equipment	2,504	-	-	830	14,663	6,887	7,776
43		SUBTOTAL GENERAL	\$ 78,484	\$ 0	\$ 0	\$ 111,573	\$ 1,125,253	\$ 642,134	\$ 483,119
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	-	-	-	-	(2)		0
46		TOTAL WATER PLANT	\$ 1,580,227	\$ 0	\$ 0	\$ 749,321	\$ 20,128,204	\$ 6,295,010	\$ 13,833,197

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 11, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 11, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 11, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1998**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	29,762	-	-	-	37,053	0	37,053
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0.00	0
4		SUBTOTAL INTANGIBLE	\$ 29,762	\$ 0	\$ 0	\$ 0	\$ 75,921	\$ 0	\$ 75,921
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 246,325	\$ (10,679)	\$ 257,004
6	311.00	Structures And Improvements	171	-	-	11,701	413,540	84,221	329,319
7	312.00	Collecting And Impounding Res.	312,228	-	-	12,899	663,944	30,462	633,482
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	13,755	-	-	21,235	793,344	157,429	635,915
10		SUBTOTAL SUPPLY	\$ 326,154	\$ 0	\$ 0	\$ 45,834	\$ 2,117,153	\$ 261,433	\$ 1,855,720
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	170	7,122	2,506	4,616
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	137,918	10,484	-	78,515	1,586,725	514,597	1,072,128
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 137,918	\$ 10,484	\$ 0	\$ 78,685	\$ 1,596,208	\$ 517,103	\$ 1,079,106
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	4,073	11,084
20	332.00	Water Treatment Equipment	11,505	-	-	6,570	60,502	62,152	(1,650)
21		SUBTOTAL TREATMENT	\$ 11,505	\$ 0	\$ 0	\$ 6,949	\$ 75,659	\$ 66,226	\$ 9,433
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	892	3,691
24	342.00	Distribution, Reservoirs, & ST	5	-	-	21,867	1,208,130	138,350	1,069,780
25	343.00	Trans. And Dist. Mains	485,957	12,713	-	266,476	10,433,728	2,076,457	8,357,271
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	121,839	10,724	-	134,654	2,533,814	937,649	1,596,165
28	346.00	Meters	129,603	28,595	-	131,748	2,039,490	707,685	1,331,805
29	348.00	Hydrants	-	-	-	-	88,885	0	88,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 737,404	\$ 52,032	\$ 0	\$ 554,828	\$ 16,318,239	\$ 3,861,032	\$ 12,457,207
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,833	139,557	29,349	110,208
34	391.00	Office Furniture And Equipment	14,658	-	-	5,066	130,894	73,508	57,386
35	391.10	Computer Equipment	37,706	4,261	-	10,057	257,754	12,423	245,331
36	392.00	Transportation Equipment	31,388	-	-	95,365	397,155	511,771	(114,616)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,747	2,091
38	394.00	Tools, Shop And Garage	7,702	1,028	-	8,988	121,361	59,534	61,827
39	395.00	Laboratory Equipment	-	-	-	234	7,648	2,223	5,425
40	396.00	Power Operated Equipment	-	-	-	6,925	75,032	72,147	2,885
41	397.00	Communication Equipment	117	-	-	2,593	63,303	(530)	63,833
42	398.00	Miscellaneous Equipment	-	2,078	-	972	12,585	5,781	6,804
43		SUBTOTAL GENERAL	\$ 91,571	\$ 7,367	\$ 0	\$ 133,185	\$ 1,209,457	\$ 767,954	\$ 441,503
44		Acc. Depr. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding	(2)	-	-	-	(4)	-	0
46		TOTAL WATER PLANT	\$ 1,334,312	\$ 69,883	\$ 0	\$ 819,481	\$ 21,392,633	\$ 7,044,609	\$ 14,348,029

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 12, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 12, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 12, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 1999**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	-	-	-	37,053	0	37,053
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0.00	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,921	\$ 0	\$ 75,921
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 246,325	\$ (10,879)	\$ 257,004
6	311.00	Structures And Improvements	-	-	-	11,703	413,540	95,924	317,816
7	312.00	Collecting And Impounding Res.	-	559	-	16,871	663,385	46,774	616,611
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	125	-	21,422	793,219	178,726	614,493
10		SUBTOTAL SUPPLY	\$ 0	\$ 685	\$ 0	\$ 49,998	\$ 2,118,468	\$ 310,745	\$ 1,805,723
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	-	170	7,122	2,676	4,446
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	26,868	-	-	81,928	1,613,593	596,525	1,017,069
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 26,868	\$ 0	\$ 0	\$ 82,098	\$ 1,623,076	\$ 599,201	\$ 1,023,877
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	4,452	10,705
20	332.00	Water Treatment Equipment	2,741	-	-	7,425	63,243	69,577	(6,334)
21		SUBTOTAL TREATMENT	\$ 2,741	\$ 0	\$ 0	\$ 7,804	\$ 78,400	\$ 74,029	\$ 4,371
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	975	3,608
24	342.00	Distribution, Reservoirs, & ST	4,805	-	-	21,911	1,212,935	160,260	1,052,675
25	343.00	Trans. And Dist. Mains	654,965	-	-	280,868	11,088,693	2,357,325	8,731,368
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	121,487	-	-	140,366	2,655,301	1,078,015	1,577,286
28	346.00	Meters	61,649	-	-	135,192	2,101,139	842,876	1,258,263
29	348.00	Hydrants	-	-	-	-	88,885	0	88,885
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 842,906	\$ 0	\$ 0	\$ 578,418	\$ 17,161,145	\$ 4,439,451	\$ 12,721,694
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,833	139,557	32,182	107,375
34	391.00	Office Furniture And Equipment	-	-	-	5,367	130,894	78,874	52,020
35	391.10	Computer Equipment	169,672	-	-	14,046	427,426	26,469	400,957
36	392.00	Transportation Equipment	-	-	-	99,289	397,155	611,060	(213,905)
37	393.00	Stores Equipment	-	-	-	151	3,838	1,898	1,940
38	394.00	Tools, Shop And Garage	-	-	-	9,163	121,361	68,698	52,663
39	395.00	Laboratory Equipment	-	-	-	234	7,648	2,457	5,191
40	396.00	Power Operated Equipment	54,942	-	-	9,461	129,974	81,608	48,366
41	397.00	Communication Equipment	-	-	-	2,595	63,303	2,066	61,237
42	398.00	Miscellaneous Equipment	-	-	-	779	12,585	6,561	6,024
43		SUBTOTAL GENERAL	\$ 224,614	\$ 0	\$ 0	\$ 143,918	\$ 1,434,071	\$ 911,874	\$ 522,197
44		Acc. Depre. March 31, 1988						\$ 1,570,861	
45		Adjustment Due To Rounding							0
46		TOTAL WATER PLANT	\$ 1,097,129	\$ 685	\$ 0	\$ 862,234	\$ 22,489,081	\$ 7,906,160	\$ 14,582,922

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 13, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 13, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 13, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 2000**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		<b>INTANGIBLE</b>							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	0	\$ 38,868
2	302.00	Franchises	-	-	-	-	37,053	0	37,053
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		<b>SUBTOTAL INTANGIBLE</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,921</u>	<u>\$ 0</u>	<u>\$ 75,921</u>
		<b>SOURCE OF SUPPLY</b>							
5	310.00	Land And Land Rights	\$ 0	\$ 584	\$ 0	\$ 0	\$ 245,741	(10,679)	\$ 256,420
6	311.00	Structures And Improvements	-	10,791	-	11,856	402,748	107,780	294,969
7	312.00	Collecting And Impounding Res.	-	-	-	16,850	663,385	63,624	599,761
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	950	-	21,430	792,269	199,206	593,063
10		<b>SUBTOTAL SUPPLY</b>	<u>\$ 0</u>	<u>\$ 12,325</u>	<u>\$ 0</u>	<u>\$ 50,136</u>	<u>\$ 2,104,143</u>	<u>\$ 359,930</u>	<u>\$ 1,744,213</u>
		<b>PUMPING</b>							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	0	\$ 2,361
12	321.00	Structures And Improvements	-	1,849.00	-	192	5,273	2,868	2,405
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	72,234	38,107	-	85,441	1,647,721	681,966	965,755
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		<b>SUBTOTAL PUMPING</b>	<u>\$ 72,234</u>	<u>\$ 39,956</u>	<u>\$ 0</u>	<u>\$ 85,633</u>	<u>\$ 1,655,355</u>	<u>\$ 684,834</u>	<u>\$ 970,522</u>
		<b>WATER TREATMENT</b>							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	4,831	10,326
20	332.00	Water Treatment Equipment	-	730	-	7,633	62,513	77,210	(14,697)
21		<b>SUBTOTAL TREATMENT</b>	<u>\$ 0</u>	<u>\$ 730</u>	<u>\$ 0</u>	<u>\$ 8,012</u>	<u>\$ 77,670</u>	<u>\$ 82,041</u>	<u>\$ (4,371)</u>
		<b>TRANSMISSION &amp; DISTRIBUTION</b>							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	1,058	3,525
24	342.00	Distribution, Reservoirs, & ST	(4,230)	5	-	21,916	1,208,701	182,176	1,026,524
25	343.00	Trans. And Dist. Mains	345,504	22,085	-	294,212	11,412,112	2,651,536	8,760,575
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	102,417	72	-	146,424	2,757,646	1,224,439	1,533,207
28	346.00	Meters	24,917	275,044	-	146,998	1,851,012	989,874	861,137
29	348.00	Hydrants	-	88,885	-	-	(0)	0	(0)
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		<b>SUBTOTAL TRANS. &amp; DIST.</b>	<u>\$ 468,607</u>	<u>\$ 386,091</u>	<u>\$ 0</u>	<u>\$ 609,633</u>	<u>\$ 17,243,661</u>	<u>\$ 5,049,084</u>	<u>\$ 12,194,578</u>
		<b>GENERAL</b>							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	0	\$ 330
33	390.00	Structures And Improvements	-	1,121	-	2,844	138,436	35,027	103,409
34	391.00	Office Furniture And Equipment	15,890	38,891	-	6,490	107,894	85,364	22,530
35	391.10	Computer Equipment	23,581	114,277	-	20,351	336,730	46,820	289,911
36	392.00	Transportation Equipment	225,481	165,473	-	148,158	457,163	759,218	(302,055)
37	393.00	Stores Equipment	-	606	-	163	3,232	2,061	1,171
38	394.00	Tools, Shop And Garage	-	45,643	-	10,886	75,718	79,583	(3,865)
39	395.00	Laboratory Equipment	-	25	-	234	7,623	2,691	4,932
40	396.00	Power Operated Equipment	(48,933)	33,702	-	11,294	47,339	92,901	(45,563)
41	397.00	Communication Equipment	23,960	-	-	3,087	87,263	5,153	82,111
42	398.00	Miscellaneous Equipment	-	940	-	808	11,645	7,369	4,276
43		<b>SUBTOTAL GENERAL</b>	<u>\$ 239,980</u>	<u>\$ 400,678</u>	<u>\$ 0</u>	<u>\$ 204,314</u>	<u>\$ 1,273,373</u>	<u>\$ 1,116,188</u>	<u>\$ 157,185</u>
44		Acc. Depre. March 31, 1988	-	-	-	-	-	\$ 1,570,861	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	0
46		<b>TOTAL WATER PLANT</b>	<u>\$ 780,821</u>	<u>\$ 839,779</u>	<u>\$ 0</u>	<u>\$ 957,727</u>	<u>\$ 22,430,123</u>	<u>\$ 8,862,938</u>	<u>\$ 13,567,187</u>

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 14, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 14, Column (D) + Column (A) - Column (B)  
Column (F): Schedule TJC-4, Page 14, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**YEAR ENDED DECEMBER 31, 2001**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	-	-	-	37,053	0	37,053
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0.00	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,921	\$ 0	\$ 75,921
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 245,741	\$ (10,679)	\$ 256,420
6	311.00	Structures And Improvements	-	15,404	-	11,616	387,345	103,992	283,353
7	312.00	Collecting And Impounding Res.	-	-	-	16,850	663,385	80,474	582,911
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	1,500	-	21,412	790,769	219,117	571,652
10		SUBTOTAL SUPPLY	\$ 0	\$ 16,904	\$ 0	\$ 49,877	\$ 2,087,239	\$ 392,904	\$ 1,694,335
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	3,586	-	169	1,687	(549)	2,236
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	172,013	111,205	-	91,614	1,708,529	662,374	1,046,155
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 172,013	\$ 114,791	\$ 0	\$ 91,783	\$ 1,712,577	\$ 661,825	\$ 1,050,754
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	-	379	15,157	5,210	9,947
20	332.00	Water Treatment Equipment	6,396	19,713	-	9,068	49,196	66,565	(17,369)
21		SUBTOTAL TREATMENT	\$ 6,396	\$ 19,713	\$ 0	\$ 9,447	\$ 64,353	\$ 71,775	\$ (7,422)
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	-	83	4,583	1,141	3,442
24	342.00	Distribution, Reservoirs, & ST	-	19,171	-	22,051	1,189,530	185,056	1,004,473
25	343.00	Trans. And Dist. Mains	241,868	52,024	-	301,691	11,601,956	2,953,228	8,648,728
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	98,292	10,488	-	152,131	2,845,450	1,375,815	1,469,635
28	346.00	Meters	77,272	99,853	-	126,654	1,828,431	1,016,676	811,755
29	348.00	Hydrants	-	-	-	-	(0)	0	(0)
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST.	\$ 417,432	\$ 181,536	\$ 0	\$ 602,611	\$ 17,479,558	\$ 5,531,915	\$ 11,947,643
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330	\$ 0	\$ 330
33	390.00	Structures And Improvements	-	-	-	2,810	138,436	37,837	100,599
34	391.00	Office Furniture And Equipment	33,188	18,366	-	5,480	122,716	72,479	50,237
35	391.10	Computer Equipment	5,489	37,408	-	14,685	304,811	24,098	280,714
36	392.00	Transportation Equipment	50,071	-	-	120,549	507,233	879,767	(372,534)
37	393.00	Stores Equipment	-	-	-	127	3,232	2,189	1,043
38	394.00	Tools, Shop And Garage	5,304	194	-	5,924	80,828	85,315	(4,486)
39	395.00	Laboratory Equipment	-	-	-	233	7,623	2,925	4,698
40	396.00	Power Operated Equipment	-	-	-	4,369	47,339	97,271	(49,932)
41	397.00	Communication Equipment	1,398	-	-	3,606	88,662	8,760	79,902
42	398.00	Miscellaneous Equipment	-	-	-	721	11,645	8,090	3,555
43		SUBTOTAL GENERAL	\$ 95,449	\$ 55,967	\$ 0	\$ 158,507	\$ 1,312,855	\$ 1,218,729	\$ 94,126
44		Acc. Depre. March 31, 1988	-	-	-	-	-	\$ 1,570,861	0
45		Adjustment Due To Rounding	-	-	-	-	-	-	-
46		TOTAL WATER PLANT	\$ 691,290	\$ 388,910	\$ 0	\$ 912,224	\$ 22,732,503	\$ 9,448,009	\$ 13,284,495

References:

Columns (A) & (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. conv.] + [TJC-4, Page 15, Col. (D) - Col. (C)] X TJC-4, Page 2, Col. (A)

Column (E): Schedule TJC-4, Page 15, Column (D) + Column (A) - Column (B)

Column (F): Schedule TJC-4, Page 15, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #1 - TEST YEAR PLANT & ACCUMULATED DEPRECIATION**  
**2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA AMERICAN**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRE-AQUISITION	(B) ACCUM. DEP.	(C) TOTAL PLANT VALUE	(D) ACCUM. DEP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
			TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 38,868	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	37,053	0	-	-	37,053	0	37,053
3	303.00	Miscellaneous Intangibles	0	0	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 75,921	\$ 0	\$ 0	\$ 0	\$ 75,921	\$ 0	\$ 75,921
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 245,741	\$ (10,679)	\$ 0	\$ 0	\$ 245,741	\$ (10,679)	\$ 256,420
6	311.00	Structures & Improvements	387,345	103,992	-	-	387,345	103,992	283,353
7	312.00	Collecting & Impound Res.	663,385	80,474	-	-	663,385	80,474	582,911
8	313.00	Lakes, Rivers, Other Intakes	0	0	-	-	0	0	0
9	314.00	Wells And Springs	790,769	219,117	-	-	790,769	219,117	571,652
10		SUBTOTAL SUPPLY	\$ 2,087,239	\$ 392,904	\$ 0	\$ 0	\$ 2,087,239	\$ 392,904	\$ 1,694,335
		PUMPING							
11	320.00	Land And Land Rights	\$ 2,361	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures & Improvements	1,687	(549)	-	-	1,687	(549)	2,236
13	323.00	Other Power Production	-	0	-	-	-	0	-
14	325.00	Electric Pumping Equipment	1,708,529	662,374	-	-	1,708,529	662,374	1,046,155
15	326.00	Diesel Pumping Equipment	-	0	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equip.	1	0	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 1,712,578	\$ 661,825	\$ 0	\$ 0	\$ 1,712,577	\$ 661,825	\$ 1,050,754
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures & Improvements	15,157	5,210	-	-	15,157	5,210	9,947
20	332.00	Water Treatment Equipment	49,196	66,565	-	-	49,196	66,565	(17,369)
21		SUBTOTAL TREATMENT	\$ 64,353	\$ 71,775	\$ 0	\$ 0	\$ 64,353	\$ 71,775	\$ (7,422)
		TRANS. & DIST.							
22	340.00	Land And Land Rights	\$ 9,609	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures & Improvements	4,583	1,141	-	-	4,583	1,141	3,442
24	342.00	Dist., Res., & ST	1,189,530	185,056	-	-	1,189,530	185,056	1,004,473
25	343.00	Trans. And Dist. Mains	11,601,956	2,953,228	-	-	11,601,956	2,953,228	8,648,728
26	344.00	Fire Mains	-	0	-	-	-	0	-
27	345.00	Services	2,845,450	1,375,815	-	-	2,845,450	1,375,815	1,469,635
28	346.00	Meters	1,828,431	1,016,676	-	-	1,828,431	1,016,676	811,755
29	348.00	Hydrants	(0)	0	-	-	(0)	0	(0)
30	349.00	Other Trans. And Dist.	-	0	-	-	-	0	-
31		SUB TRANS. & DIST.	\$ 17,479,558	\$ 5,531,915	\$ 0	\$ 0	\$ 17,479,558	\$ 5,531,915	\$ 11,947,643
		GENERAL							
32	389.00	Land And Land Rights	\$ 330	\$ 0	\$ (37)	\$ 0	\$ 293	\$ 0	\$ 293
33	390.00	Structures & Improvements	138,436	37,837	(15,709)	21,083	122,727	58,920	63,807
34	391.00	Office Furniture & Equip.	122,716	72,479	(5,610)	(63,041)	117,106	9,438	107,668
35	391.10	Computer Equipment	304,811	24,098	(14,691)	(109,920)	290,120	(85,822)	375,942
36	392.00	Transportation Equipment	507,233	879,767	17,624	(804,457)	524,857	285,102	239,755
37	393.00	Stores Equipment	3,232	2,189	(367)	3,002	2,865	1,896	969
38	394.00	Tools, Shop And Garage	80,828	85,315	36,414	(37,459)	117,242	75,310	41,932
39	395.00	Laboratory Equipment	7,623	2,925	(396)	10,970	7,227	5,191	2,036
40	396.00	Power Operated Equipment	47,339	97,271	23,955	(89,883)	71,294	47,856	23,438
41	397.00	Communication Equipment	88,662	8,760	(1,901)	410,415	86,761	13,895	72,866
42	398.00	Miscellaneous Equipment	11,645	8,090	(809)	411,085	10,836	7,388	3,448
43		SUBTOTAL GENERAL	\$ 1,312,855	\$ 1,218,729	\$ 38,473	\$ (248,203)	\$ 1,351,328	\$ 419,175	\$ 932,154
44		Acc. Depre. March 31, 1988	\$ -	\$ 1,570,861	\$ 0	\$ 0	\$ 0	\$ 1,570,861	
45		Adjustm't Due To Rounding	-	-	-	-	-	-	0
46		TOTAL WATER PLANT	\$ 22,732,504	\$ 9,448,009	\$ 38,473	\$ (248,203)	\$ 22,770,976	\$ 8,648,455	\$ 14,122,523
47		Company As Filed B-2					22,842,642	7,422,614	
48		Line #46 minus Line #47					(71,666)	1,225,841	

References:

Column (A): Schedule TJC-4, Page 16, Column (E)  
Column (B): Schedule TJC-4, Page 16, Column (F)  
Columns (C) & (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water Common Plant Allocation  
Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3  
Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3  
Column (G): Column (E) - Column (F)

**RATE BASE ADJUSTMENT #2 - POST-TEST YEAR PLANT & ACCUMULATED DEPRECIATION  
ADJUSTMENTS TO THE 2001 PROFORMA TEST YEAR**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOSING	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,868	\$ 0	\$ 38,868
2	302.00	Franchises	-	63,313	-	-	(26,260)	0	(26,260)
3	303.00	Miscellaneous Intangibles	-	-	-	-	0	0	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 63,313	\$ 0	\$ 0	\$ 12,608	\$ 0	\$ 12,608
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 26,820	\$ 0	\$ 0	\$ 0	\$ 272,561	\$ (10,679)	\$ 283,240
6	311.00	Structures And Improvements	348,253	-	5,480	4,928	735,598	114,400	621,198
7	312.00	Collecting And Impounding Res.	-	-	8,429	-	663,385	88,903	574,482
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	0	0	0
9	314.00	Wells And Springs	-	-	10,679	-	790,769	229,795	560,974
10		SUBTOTAL SUPPLY	\$ 375,073	\$ 0	\$ 24,587	\$ 4,928	\$ 2,462,312	\$ 422,419	\$ 2,039,894
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,361	\$ 0	\$ 2,361
12	321.00	Structures And Improvements	-	-	20	-	1,687	(529)	2,216
13	323.00	Other Power Production	-	-	-	-	-	0	-
14	325.00	Electric Pumping Equipment	146,091	-	43,719	3,740	1,854,620	709,833	1,144,788
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	0	(0)
16	328.10	Gas Engine Pumping Equipment	-	-	-	-	1	0	1
17		SUBTOTAL PUMPING	\$ 146,091	\$ 0	\$ 43,739	\$ 3,740	\$ 1,858,668	\$ 709,304	\$ 1,149,366
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
19	331.00	Structures And Improvements	-	-	7,145	-	15,157	12,355	2,802
20	332.00	Water Treatment Equipment	1,674	-	(4,005)	100	50,870	82,660	(11,790)
21		SUBTOTAL TREATMENT	\$ 1,674	\$ 0	\$ 3,140	\$ 100	\$ 66,027	\$ 75,015	\$ (8,989)
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,609	\$ 0	\$ 9,609
23	341.00	Structures And Improvements	-	-	41	-	4,583	1,182	3,401
24	342.00	Distribution, Reservoirs, & ST	432,020	-	10,761	3,910	1,621,550	199,727	1,421,823
25	343.00	Trans. And Dist. Mains	-	-	152,117	-	11,601,956	3,105,345	8,496,611
26	344.00	Fire Mains	-	-	-	-	-	0	(0)
27	345.00	Services	-	-	77,433	-	2,845,450	1,453,248	1,392,202
28	346.00	Meters	-	-	59,580	-	1,828,431	1,076,256	752,175
29	348.00	Hydrants	-	-	-	-	(0)	0	(0)
30	349.00	Other Trans. And Dist.	-	-	-	-	-	0	-
31		SUBTOTAL TRANS. & DIST	\$ 432,020	\$ 0	\$ 299,932	\$ 3,910	\$ 17,911,572	\$ 5,835,757	\$ 12,075,821
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 293	\$ 0	\$ 293
33	390.00	Structures And Improvements	-	(56,876)	(23,920)	(577)	179,603	34,423	145,180
34	391.00	Office Furniture And Equipment	169,311	-	2,501	3,481	286,916	15,520	271,396
35	391.10	Computer Equipment	-	-	6,387	-	290,120	(79,435)	369,555
36	392.00	Transportation Equipment	21,278	-	63,379	2,660	546,135	351,141	194,994
37	393.00	Stores Equipment	-	-	63	-	2,965	1,959	906
38	394.00	Tools, Shop And Garage	16,549	-	4,726	625	133,791	80,661	53,130
39	395.00	Laboratory Equipment	-	-	126	-	7,227	5,317	1,910
40	396.00	Power Operated Equipment	-	-	3,289	-	71,294	51,145	20,149
41	397.00	Communication Equipment	26,850	(1)	1,522	550	113,613	16,067	97,545
42	398.00	Miscellaneous Equipment	-	-	360	-	10,837	7,748	3,089
43		SUBTOTAL GENERAL	\$ 234,488	\$ (56,877)	\$ 58,633	\$ 6,739	\$ 1,642,693	\$ 484,546	\$ 1,158,148
44		Acc. Depre. March 31, 1988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,570,861	\$ (1,570,861)
45		Adjustment Due To Rounding	-	-	-	(1)	-	-	(1)
46		TOTAL WATER PLANT	\$ 1,189,346	\$ 6,436	\$ 430,031	\$ 19,416	\$ 23,953,886	\$ 9,097,901	\$ 14,855,985
47		Company As Filed B-2					23,833,079	7,852,645	
48		Difference In Post Test Year Gross Plant					120,807	1,245,256	
49		Adjustment To Test Year Gross Plant As Per TJC-12, Page 9, Col. (E), Line #48					(71,666)	1,225,841	
50		Adjustment To Post Test Year Total Plant and Acc. Dep. (See TJC-4, Col. (C), Line #'s 1 & 2)					49,141	19,416	

References:

Column (A): Company's Response To Staff Data Request No. DWC 12-1 To 12-3  
Column (B) & (C): Company Schedule B-2, Pages 1 and 8  
Column (D): ((Col. (A) + Col. (B)) X TJC-4, Page 2, Col. (A) X 1/2 yr. Conv.) + (TJC-4, Page 17, Col. (E)) X TJC-4, Page 2, Col. (A)  
Column (E): Schedule TJC-4, Page 17, Column (D) + Column (A) + Column (B)  
Column (F): Schedule TJC-4, Page 17, Column (F) + Column (C) + Column (D)  
Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJ.TMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED IN(DE)CREASE	(E) RUCO AS RECOMMENDED
	OPERATING REVENUES:					
1	Metered Water Revenues	\$ 4,286,070	\$ 0	\$ 4,286,070	\$ (790,139)	\$ 3,495,931
2	Unmetered Water Revenues	-	-	(0)	-	-
3	Other Water Revenues	108,705	-	108,705	-	108,705
4	TOTAL OPERATING REVENUES	<u>\$ 4,394,775</u>	<u>\$ 0</u>	<u>\$ 4,394,775</u>	<u>\$ (790,139)</u>	<u>\$ 3,604,636</u>
	OPERATING EXPENSES:					
5	Salaries And Wages	\$ 844,087	\$ (143,677)	\$ 700,410	\$ 0	\$ 700,410
6	Purchased Water	5,040	-	5,040	-	5,040
7	Purchased Power	294,603	-	294,603	-	294,603
8	Chemicals	8,150	-	8,150	-	8,150
9	Repairs And Maintenance	301,313	-	301,313	-	301,313
10	Office Supplies And Expenses	249,611	-	249,611	-	249,611
11	Outside Services	5,177	-	5,177	-	5,177
12	Service Company Fees	521,040	(285,705)	235,335	-	235,335
13	Water Testing	-	-	-	-	-
14	Rents	18,307	-	18,307	-	18,307
15	Transportation Expenses	-	-	(0)	-	-
16	Insurance - General Liability	27,385	-	27,385	-	27,385
17	Insurance - Health And Life	-	-	(0)	-	-
18	Regulatory Comm. Exp. - Rate Case	29,013	(11,645)	17,368	-	17,368
19	Miscellaneous Expense	83,386	-	83,386	-	83,386
20	Depreciation Expense	692,199	(26,445)	665,754	-	665,754
21	Taxes Other Than Income	47,563	-	47,563	-	47,563
22	Property Taxes	272,584	(2,427)	270,157	-	270,157
23	Income Tax	199,240	293,651	492,891	(312,677)	180,214
	Adjustment Due To Rounding	-	-	-	-	-
24	TOTAL OPERATING EXPENSES	<u>\$ 3,598,698</u>	<u>\$ (176,248)</u>	<u>\$ 3,422,450</u>	<u>\$ (312,677)</u>	<u>\$ 3,109,773</u>
25	OPERATING INCOME (LOSS)	<u>\$ 796,077</u>	<u>\$ 176,248</u>	<u>\$ 972,325</u>	<u>\$ (477,463)</u>	<u>\$ 494,863</u>
	Other Income (Expense):					
26	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	Other Income	0	-	-	-	0
28	Interest Expense	(479,136)	-	(479,136)	-	(479,136)
29	Other Expense	-	-	(0)	-	-
30	Gain/Loss Sale Of Assets	-	-	(0)	-	-
31	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (479,136)</u>	<u>\$ 0</u>	<u>\$ (479,136)</u>	<u>\$ 0</u>	<u>\$ (479,136)</u>
32	NET PROFIT (LOSS)	<u>\$ 316,941</u>	<u>\$ 176,248</u>	<u>\$ 493,189</u>	<u>\$ (477,463)</u>	<u>\$ 15,727</u>

References:  
Column (A): Company Schedule C-1  
Column (B): Schedule TJC-7  
Column (C): Column (A) + Column (B)  
Column (D): Schedule TJC-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	RUCO AS ADJED
1	OPERATING REVENUES:												
2	Metered Water Revenues	\$ 4,286,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,286,070
3	Unmetered Water Revenues	108,705	-	-	-	-	-	-	-	-	-	-	108,705
4	Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-
5	TOTAL OPERATING REVENUES	\$ 4,394,775	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,394,775
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 844,897	\$ 0	\$ (19,328)	\$ 0	\$ (124,348)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 700,410
8	Purchased Water	5,040	-	-	-	-	-	-	-	-	-	-	5,040
9	Chemicals	294,603	-	-	-	-	-	-	-	-	-	-	294,603
10	Repairs And Maintenance	8,150	-	-	-	-	-	-	-	-	-	-	8,150
11	Office Supplies And Expenses	301,313	-	-	-	-	-	-	-	-	-	-	301,313
12	Outside Services	249,611	-	-	-	-	-	-	-	-	-	-	249,611
13	Service Company Fees	5,177	-	-	-	-	-	-	-	-	-	-	5,177
14	Water Testing	621,040	-	-	-	-	-	-	-	-	-	-	621,040
15	Rents	18,307	-	-	-	-	-	-	-	-	-	-	18,307
16	Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-	-
17	Insurance - General Liability	27,385	-	-	-	-	-	-	-	-	-	-	27,385
18	Insurance - Health And Life	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Comm. Exp. - Rate Case	28,013	-	-	-	-	-	-	-	-	-	-	28,013
20	Macellaneous Expense	63,988	-	-	-	-	-	-	-	-	-	-	63,988
21	Depreciation Expense	682,189	-	-	-	-	-	-	-	-	-	-	682,189
22	Taxes Other Than Income	47,563	-	-	-	-	-	-	-	-	-	-	47,563
23	Property Taxes	272,604	-	-	-	-	-	-	-	-	-	-	272,604
24	Income Tax	199,240	-	-	-	-	-	-	-	-	-	-	199,240
25	Adjustment Due To Rounding	-	-	-	-	-	-	-	-	-	-	-	-
26	TOTAL OPERATING EXPENSES	\$ 3,598,690	\$ 0	\$ (19,328)	\$ (79,578)	\$ (124,348)	\$ (26,448)	\$ (2,427)	\$ (11,645)	\$ (208,129)	\$ 0	\$ 283,651	\$ 3,422,450
27	OPERATING INCOME (LOSS)	\$ 796,077	\$ 0	\$ 19,328	\$ 79,578	\$ 124,349	\$ 26,445	\$ 2,427	\$ 11,645	\$ 208,129	\$ 0	\$ (283,651)	\$ 972,325
28	Other Income (Expense):												
29	Interest Income	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
30	Other Income	0	-	-	-	-	-	-	-	-	-	-	0
31	Interest Expense	(479,136)	-	-	-	-	-	-	-	-	-	-	(479,136)
32	Other Expense	-	-	-	-	-	-	-	-	-	-	-	0
33	Gain/Loss Sale Of Assets	-	-	-	-	-	-	-	-	-	-	-	0
34	TOTAL OTHER INCOME (EXPENSE)	\$ (479,136)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (479,136)
35	NET PROFIT (LOSS)	\$ 316,941	\$ 0	\$ 19,328	\$ 79,578	\$ 124,349	\$ 26,445	\$ 2,427	\$ 11,645	\$ 208,129	\$ 0	\$ (283,651)	\$ 493,189

REFERENCE

ADJUSTMENT NO.	REFERENCE
1 -	Intentionally Left Blank
2 -	Remove Citizens Test Year's Salaries & Wages
3 -	Service Company Fees - AZ-AM
4 -	Projected Salaries & Wages - AZ-AM
5 -	Depreciation Expense
6 -	Property Taxes
7 -	Rate Case Expense
8 -	Projected Additional Corporate Overhead Expenses
9 -	Intentionally Left Blank
10 -	Income Tax

References:  
Col. (A): Company Sch. C-1  
Cols. (B) Thru (K): Ads. #1 Thru #10  
Col. (L): Sum of Cols. (A) Thru (K)

OPERATING INCOME ADJUSTMENT NO. 2  
CITIZENS SALARIES & WAGES

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJMT
	MOHAVE WATER					
1		Salaries & Wages		\$ 614,283	\$ 614,283	\$ -
2		Payroll Tax		37,941	57,269	(19,328)
3		TOTAL		<u>652,224</u>	<u>671,552</u>	<u>(19,328)</u>

References:

Column (A): Company Sch. C-2, Page 3

Column (B): Company Provided Data on Citizens 2001 Payroll

Column (C): Column (B) minus Column (A)

**OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) TOTAL SERVICE CHARGES	(B) RUCO AS ADJ'TED	(C) FOUR FACTOR	(D) COMPANY AS FILED	(E) RUCO AS ADJ'TED	(F) ADJ'MENT
			COMPANY AS FILED					
1	Mohave Water	2371	5,153,711	4,366,610	0.1011	521,040	441,464	(79,576)
2	Havasu Water	2373	5,153,711	4,366,610	0.0146	75,244	63,753	(11,492)
3	MOHAVE WATER		Arizona-American Service Company Allocation					(79,576)

**REFERENCES:**

Columns (A) & (C): Company Sch. C-2, Page 4  
Column (B): Company Response to RUCO Data Request #3  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) minus Column (D)

**OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES & WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Mohave Water	2371	\$ 627,649	\$ 169,465	\$ 458,184	15	\$ 38,726
2	Havasupai Water	2373	117,542	31,736	85,806	3	7,299
MOHAVE WATER				COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T	
3		Salaries & Wages		\$ 573,696	\$ 458,184	\$ (115,512)	
4		Payroll Tax		47,563	38,726	(8,837)	
5		TOTAL		<u>\$ 621,259</u>	<u>\$ 496,910</u>	<u>\$ (124,349)</u>	

References:

Columns (A) & (D): Company Provided Data on AZ-AM 2002 Payroll  
Column (B): 27% of Column (A) - Calculated as Representative of Labor Associated with Capital Projects  
Column (C): Column (A) minus Column (B)  
Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

OPERATING INCOME ADJUSTMENT NO. 5  
FULL TEST YEAR DEPRECIATION EXPENSE AND PROPOSED DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL RUCO PLANT	(B) APR'D DEP. RATE	(C) TEST YEAR DEPREC'N EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 38,868	0.00%	\$ -
2	302.00	Franchises	(26,260)	0.00%	-
3	303.00	Miscellaneous Intangibles	0	0.00%	-
4		SUBTOTAL INTANGIBLE	\$ 12,608		\$ -
		SOURCE OF SUPPLY			
5	310.00	Land And Land Rights	\$ 272,561	0.00%	-
6	311.00	Structures And Improvements	735,598	2.83%	20,817
7	312.00	Collecting And Impounding Res.	663,385	2.54%	16,890
8	313.00	Lakes, Rivers, Other Intakes	0	0.00%	-
9	314.00	Wells And Springs	790,769	2.70%	21,351
10		SUBTOTAL SUPPLY	\$ 2,462,312		\$ 59,018
		PUMPING			
11	320.00	Land And Land Rights	\$ 2,361	0.00%	-
12	321.00	Structures And Improvements	1,686	2.39%	40
13	323.00	Other Power Production	-	0.00%	-
14	325.00	Electric Pumping Equipment	1,854,619	5.12%	94,957
15	326.00	Diesel Pumping Equipment	1	0.00%	-
16	328.10	Gas Engine Pumping Equipment	1	0.00%	-
17		SUBTOTAL PUMPING	\$ 1,858,688		\$ 94,997
		WATER TREATMENT			
18	330.00	Land And Land Rights	\$ 0	0.00%	-
19	331.00	Structures And Improvements	15,158	2.50%	379
20	332.00	Water Treatment Equipment	50,870	12.00%	6,104
21		SUBTOTAL TREATMENT	\$ 66,028		\$ 6,483
		TRANSMISSION & DISTRIBUTION			
22	340.00	Land And Land Rights	\$ 9,609	0.00%	-
23	341.00	Structures And Improvements	4,583	1.81%	83
24	342.00	Distribution, Reservoirs, & ST	1,621,550	1.81%	29,350
25	343.00	Trans. And Dist. Mains	11,601,956	2.61%	302,811
26	344.00	Fire Mains	-	0.00%	-
27	345.00	Services	2,845,450	5.41%	153,939
28	346.00	Meters	1,828,431	6.53%	119,397
29	348.00	Hydrants	(0)	0.00%	-
30	349.00	Other Trans. And Dist.	-	0.00%	-
31		SUBTOTAL TRANS. & DIST.	\$ 17,911,578		\$ 605,579
		GENERAL			
32	389.00	Land And Land Rights	\$ 293	0.00%	-
33	390.00	Structures And Improvements	179,603	2.03%	3,646
34	391.00	Office Furniture And Equipment	286,916	4.10%	11,764
35	391.10	Computer Equipment	290,120	4.10%	11,895
36	392.00	Transportation Equipment	546,135	25.00%	136,534
37	393.00	Stores Equipment	2,865	3.93%	113
38	394.00	Tools, Shop And Garage	133,791	7.55%	10,101
39	395.00	Laboratory Equipment	7,227	3.06%	221
40	396.00	Power Operated Equipment	71,294	9.23%	6,580
41	397.00	Communication Equipment	113,613	4.10%	4,658
42	398.00	Miscellaneous Equipment	10,837	6.19%	671
43		SUBTOTAL GENERAL	\$ 1,642,692		\$ 186,182
				2.68%	
44		TOTAL WATER PLANT	\$ 23,953,887		952,260
45		CIAC	\$ 2,865,061	10.00%	286,506
46		TOTAL DEPRECIATION & AMORTIZATION			665,754
47		PER COMPANY			692,199
48		ADJUSTMENT			(26,445)

References:

Column (A): Schedule TJC-5, Page 1, Column (E)  
Column (B): Schedule TJC-4, Page 2, Column (A)  
Column (C): Column (A) X Column (B)

OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 4,545,331	
2	Year 2000 (Company Schedule E-2)	4,527,349	
3	Year 2001 (Company Schedule E-2)	4,348,715	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 13,421,395	
5	Average Annual Operating Revenues (L4 / 3)	4,473,798	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 8,947,597
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 187,183	
8	10% Of CWIP (L7 X 10%)		\$ 18,718
	LESS: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (Sch. TJC-12(17))	\$ 546,135	
10	Accumulated Depreciation Of Transportation Equipment (TJC-12(17))	351,141	
11	Net Book Value Of Transportation Equipment (L9 - L10)		\$ 194,994
12	COMPANY'S FULL CASH VALUE (L6 + L8 + L11)		\$ 8,771,321
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	\$ 2,192,830	
	Property Tax Rates:		
15	Property Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	12.32%	
16	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		\$ 270,157
17	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. TJC-6, Col. (A), L29)	\$ 272,584	
18	Increase (Decrease) In Property Tax Expense (L16 - L17)	\$ (2,427)	
19	Adjustment To Property Tax Expense From Company's Direct Filing (See TJC-6 Col. (B), L22)		\$ (2,427)

**OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE**

LINE NO.	COMPANY	(A) REVISED T.Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
3	Havasupai Water	0.0125	8,730	5,225	(3,505)	(1,168)

			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
	MOHAVE WATER					
4	Rate Case Expense		87,016	52,081	(34,935)	(11,645)

**References:**

Column (A): Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer from Allocation  
Column (B): Company Response to Data Request less the Mohave Sewer allocation of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) minus Column (B)  
Column (E): Column (D) Divided by 3 (Three Year Amortization Period)

OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	MOHAVE WATER				
1		Salaries And Wages	\$ 270,391	\$ 56,161	\$ (214,230)
2		Office Supplies & Expense	147,339	163,185	15,846
3		Insurance	26,286	18,113	(8,173)
4		Miscellaneous Expense	1,418	1,846	428
5		TOTAL	445,434	239,305	\$ (206,129)

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From TJC-14, Pg 2, Line 24

Column (C): Column (B) - Column (A)

OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	\$ 3,161,914	\$ 2,098,797	\$ 1,063,117	
8	Non-Applicable Accounts	\$ 2,153,067	\$ 2,117,294	\$ 35,773	
9	TOTAL (See TJC-14, Pg 3, L 45)	\$ 5,314,981	\$ 4,216,091	\$ 1,098,890	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasus Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	0.8247	0.9534	0.8700	0.9544
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	1.0000	1.0000	1.0000	1.0000
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	89,857	322,580	57,988	4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasus Water	11,232	14,208	1,630	1,297
34	Subtotal	\$ 325,731	\$ 1,352,330	\$ 177,484	\$ 28,987
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	\$ 48,672	\$ 126,483	\$ 37,716	\$ 1,393
38	TOTAL	\$ 374,404	\$ 1,478,813	\$ 215,200	\$ 30,381
39	TOTAL RUCO ADJUSTMENT (See TJC-14, pg 2, Column (B), Line 7 Above)			\$ 2,098,797	

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report  
Allocation Amounts - Calculated Using Same Methodology As Company

**OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. TJC-6, Col. (C), L25 + L23	\$ 1,465,217
	LESS:		
2	Arizona State Tax	Line 11	86,790
3	Interest Expense	Note (A) Line 19	219,672
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 1,158,755
5	Federal Tax Rate	Sch. TJC-1, Pg. 2 Col.(D), L34	35.05%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 406,102
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 1,465,217
	LESS:		
8	Interest Expense	Note (A) Line 19	219,672
9	State Taxable Income	Line 7 - Line 8	\$ 1,245,544
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 86,790
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ 406,102
13	State Income Tax Expense	Line 11	86,790
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 492,891
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		199,240
16	Total Income Tax Adjustment (See Sch. TJC-6, Col. (B), L23)	Line 14 - Line 15	\$ 293,651
<b>NOTE (A):</b>			
Interest Synchronization:			
17	Adjusted Rate Base (Sch. TJC-3, Col. (E), L16)	\$ 7,531,475	
18	Weighted Cost Of Debt (Sch. TJC-19, Col. (F), L1 + L2)	2.92%	
19	Interest Expense (L17 X L18)	\$ 219,672	

RATE DESIGN

LINE NO.	CUSTOMER CLASSIFICATION and/or Meter Size	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1				
2	Residential 5/8 Inct	7.45	145,860	1,086,657
3	Residential 1 Inct	12.90	372	4,798
4	Residential 1.5 Inct	21.55	-	0
5	Residential 2 Inct	25.80	108	2,786
6				
7	Residential Multi-Family 5/8 Inct	7.45	1,056	7,867
8	Residential Multi-Family 1 Inct	7.45	456	3,397
9	Residential Multi-Family 1.5 Inct	7.45	36	268
10	Residential Multi-Family 2 Inct	7.45	1,308	9,745
11	Residential Multi-Family 4 Inct	7.45	24	179
12	Residential Multi-Family 6 Inct	7.45	24	179
13				
14	<u>Residential Rio Water</u>			
15	5/8 Inct (a)	6.65	3,276	21,801
16	1 Inct (a)	6.65	12	80
17	2 Inct (a)	6.65	12	80
18				
19	Commercial 5/8 Inct	7.45	4,608	34,330
20	Commercial 1 Inct	12.90	1,680	21,670
21	Commercial 1.5 Inct	21.50	192	4,128
22	Commercial 2 Inct	25.85	2,016	52,110
23	Commercial 3 Inct	51.65	192	9,916
24				
25	Commercial Multi-Unit 5/8 Inct	7.45	240	1,788
26	Commercial Multi-Unit 1 Inct	7.45	60	447
27	Commercial Multi-Unit 1.5 Inct	7.45	12	89
28	Commercial Multi-Unit 2 Inct	7.45	24	179
29				
30	Public Authority 5/8 Inct	7.45	324	2,414
31	Public Authority 1 Inct	12.90	96	1,238
32	Public Authority 1.5 Inct	21.50	60	1,290
33	Public Authority 2 Inct	25.80	432	11,145
34	Public Authority 3 Inct	51.65	12	620
35	Public Authority 4 Inct	77.50	8	620
36	Public Authority 6 Inct	172.25	12	2,067
37				
38	Private Fire 2 Inct	2.55	132	337
39	Private Fire 4 Inct	5.15	759	3,907
40	Private Fire 6 Inct	7.75	180	1,395
41	Private Fire 8 Inct	10.30	60	618
42	Private Fire 10 Inct	12.90	12	155
43	Private Fire Hydrant	6.55	1,884	12,340
44				
45	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		165,539	1,300,641
46				
47	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
48				
49	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
50				
51	Mohave	\$ 1.24	1,727,834	\$ 2,142,514
52	Rio Water	\$ 1.34	39,406	\$ 52,804
53				
54	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		1,767,240	\$ 2,195,318
55				
56	Miscellaneous Revenue			108,705
57				
58	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 3,604,664</b>
59				
60	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			3,604,636
61	Difference			\$ 29

References:

Column (A): TJC-16, Page 2 - Recommended/Proposed Rates  
Column (B): Response To RUCO Data Request No. 1.0  
Column (C): Columns (A) X (B)

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
MONTHLY MINIMUM USAGE CHARGE:				
1	5/8 X 3/4 - Inch (a)	\$ 8.65	\$ 9.84	\$ 7.45
2	3/4 - Inch	-	-	-
3	1 - Inch	15.00	17.07	12.90
4	1 1/2 - Inch	25.00	28.45	21.50
5	2 - Inch	30.00	34.14	25.85
6	3 - Inch	60.00	68.28	51.65
7	4 - Inch	90.00	102.42	77.50
8	6 - Inch	200.00	227.60	172.25
9	8 - Inch	400.00	455.20	344.50
10	10 - Inch	N/A	787.20	596.00
<u>Residential Rio Water</u>				
11	5/8 X 3/4 Inch (a)	7.75	8.82	6.65
12	1 Inch (a)	7.75	8.82	6.65
13	2 Inch (a)	7.75	8.82	6.65
<u>Private Fire</u>				
14	2 Inch or Smaller (a)	3.00	3.41	2.60
15	4 Inch (a)	6.00	6.83	5.15
16	6 Inch (a)	9.00	10.24	7.75
17	8 Inch (a)	12.00	13.66	10.35
18	10 Inch	15.00	17.07	12.90
19	12 Inch (a)	18.00	20.48	15.50
20	14 Inch (a)	21.00	23.90	18.10
21	20 Inch	30.00	34.14	25.85
22	Per Sprinkler Head (a)	0.51	0.58	0.44
23	Per each Private Fire Hydrant (a)	7.64	8.69	6.55
<u>Gallons In Minimum</u>				
24	All (except Rio Water)	1000	1,000	0
25	Multi-Units based on multiple of 5/8 x 3/4			
26	Rio Water	2000	2,000	0
<u>Tier 1: Gallons up to 999,999,999</u>				
27	All (except Rio Water)	999,999,999	999,999,999.00	999,999,999.00
28	(Multi-Units based on multiple of 5/8 x 3/4)		-	
29	Rio Water	999,999,999	999,999,999.00	999,999,999.00
COMMODITY RATES - ALL METERS (Per 1,000 Gallons):				
28	All (a)	1.48	1.68	1.24
29	Rio Water (a)	1.75	1.99	1.43

(a) Rounded to nearest whole cent

**EXHIBIT**

*R-2*  
*Admitted*

**ARIZONA- AMERICAN WATER COMPANY, INC.**

**DOCKET NOS. WS-01303A-02-0867**

**WS-01303A-02-0868**

**W-01303A-02-0869**

**WS-01303A-02-0870**

**W-01303A-02-0908**

**SURREBUTTAL TESTIMONY**

**OF**

**TIMOTHY J. COLEY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**OCTOBER 31, 2003**

**INTRODUCTION**

Q. Please state your name, occupation, and business address.

A. My name is Timothy J. Coley. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Have you previously submitted direct testimony in the instant case?

A. Yes, I filed direct testimony on September 5, 2003.

Q. Please state the purpose of your surrebuttal testimony.

A. The purpose of my testimony is to respond to Arizona-American Water Company's ("AZ-AM" or "Company") rebuttal testimony regarding the property tax calculation, which is mandated by the Arizona Department of Revenue (ADOR). I will also discuss revisions I made to the accumulated depreciation balances in the Mohave and Havasu water districts and revisions to my recommended level of AZ-AM payroll expense. These revisions have a slight affect (increase) to the revenue requirement for the two districts.

1 **Property Taxes**

2 Q. Do you agree with the Company's rebuttal comments regarding property  
3 taxes?

4 A. No. The ADOR property tax formula clearly states "The value of all water  
5 and sewer utility companies, for property tax purposes, will be computed  
6 by multiplying the average of the three previous years of reported gross  
7 revenues of the company by a factor of two (2)." AZ-AM has failed to  
8 utilize the three-previous/historical years in its calculation for property  
9 taxes in all ten water and sewer districts in this rate filing. Instead, the  
10 Company uses the adjusted test-year (2002) twice and its proposed level  
11 of revenues year (2004) once rather than the years 1999, 2000, and 2001  
12 that is authorized by ADOR.

13  
14 Q. Is there an authority and/or publication that supports your position on the  
15 "three previous years" of gross revenues when computing property taxes  
16 for water and sewer utility companies?

17 A. Yes. Both an authority and document clearly specify the historical nature  
18 of the previous years gross revenues when calculating property taxes.

19  
20 Q. Please identify the authority and document that exists in support of your  
21 position.

22 A. The authority is the Arizona Department of Revenue. The document that  
23 supports my position is also from ADOR and is attached as Exhibit 1.

**Accumulated Depreciation**

Q. Have you made any revisions to your test year accumulated depreciation balances?

A. Yes. In reviewing my test year plant and accumulated depreciation balances (Rate Base Adjustment #1, Schedule TJC-4), I identified an error in my formulas for accumulated depreciation. I have corrected this error, which impacted my recommended rate base as follows:

	Rate Base	Rate Base
	<u>Direct Filing</u>	<u>Revised</u>
Mohave	\$ 7,531,475	\$ 8,120,368
Havasu	766,406	794,180

Q. Have you made any other revisions to your direct filing?

A. Yes. I have revised my recommended Operating Adjustment #4 for Arizona American's Salary & Wages. The revised calculations are shown on Rebuttal Schedule TJC-10 and are discussed in RUCO witness Rodney Moore's testimony. I have also reflected the revenue requirement impact of Mr. Rigsby's revisions to his cost of capital recommendation.

1 Q. Have you prepared a schedule showing the revised revenue requirement  
2 recommendation resulting from these three revisions?

3 A. Yes. My revised revenue requirements for Mohave and Havasu are  
4 presented on Rebuttal Schedule TJC-1.

5

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes.

# **EXHIBIT 1**



**ARIZONA DEPARTMENT OF REVENUE  
PROPERTY TAX DIVISION**

1600 West Monroe, Room 820, Phoenix, Arizona 85007

Telephone: (602) 542-3529

Facsimile: (602) 542-5667

JANE DEE HULL  
GOVERNOR

MARK W. KILLIAN  
DIRECTOR

January 3, 2001

To: Arizona Water and Sewer Utility Companies

From: Cheryl Murray-Leyba, Administrator, Valuation Section

Re: Modification of Valuation Formula

Gentlemen:

After careful study and consideration, the Arizona Department of Revenue and the Water Utilities Association of Arizona have reached an agreement on a change in the valuation formula for water and sewer utility companies for property tax purposes. The goal of the Department and the Association was to arrive at a valuation formula that would: (1) produce predictable values; (2) be easy to administer; (3) be easy to report; (4) produce logical results; (5) be non-controversial; and, (6) produce a minimum tax impact from the previous year. It is our joint opinion that these goals have been met by this new formula. Further, it is hoped that this new valuation methodology will assist your company in your future dealings with the Arizona Corporation Commission regarding projections of future property tax expense.

The Department using the following formula, will value all water and sewer companies in Arizona beginning with the valuation for Tax Year 2002 (Valuation year as of January 1, 2001):

- The value of all water and sewer utility companies, for property tax purposes, will be computed by multiplying the average of the three previous years of reported gross revenues of the company by a factor of two (2).
- If the taxpayer reports less than three (3) years gross income, but reports income for the previous calendar year, the average gross revenue will be calculated based on the average of those years with reported revenues.
- If the taxpayer fails to report gross revenue or any other information required to calculate the value, the taxpayer will be notified of the incomplete filing and will be subject to late filing fees. The Department will then estimate the value of the property.

January 3, 2001

- Construction Work in Progress will be valued at ten percent (10%) of cost as of December 31 of the most recent calendar year.
- The net book cost of licensed vehicles will be deducted from the value indicated by the gross revenues.
- To accurately assess ongoing business operations, and to achieve comparability, further adjustments may be necessary.

Your company's tax liability, as a percentage of gross revenues, produced by this new valuation formula can be estimated as follows:

Valuation Factor	2
Times Assessment Ratio	<u>25%</u>
	.50
Times Tax Rate*	<u>.1000</u> (e.g.)
Estimated % Tax Liability	5.00%

\*Total Primary and Secondary tax rates for taxing district(s) in which property is located.

The estimated tax liabilities should range somewhere between 2.5% and 8.5% of gross revenues in most instances, depending on the tax rates for the area in which company is located.

This change in valuation methodology will be reflected in the annual Property Tax Form, which will be mailed to you by the middle of January 2001. We look forward with working with you on this modification of the valuation formula. If you have any questions regarding this change, and how it may affect your company, please contact Bob Williams or Carole O'Brien of our section at (602) 542-3529.

SURREBUTAL REVENUE REQUIREMENT										
LINE NO.	DESCRIPTION	(A) PER COMPANY ROND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIGINAL COST	(D) DIRECT RUCO ORIGINAL COST	(E) NO. 1	(F) SURREBUTAL RUCO - OCRB ADJUSTMENTS NO. 2	(G) SURREBUTAL RUCO - OCRB ADJUSTMENTS NO. 3	(H) NO. 4	(I) SURREBUTAL RUCO OCR AS ADJUSTED
1	Fair Value Rate Base	\$ 15,212,896	\$ 493,771	\$ 15,706,667	\$ 7,531,475	\$ 588,893	\$ -	N/A	\$ -	\$ 8,120,368
2	Adjusted Operating Income (Loss)	\$ 796,077		\$ 796,077	\$ 972,325	2,386	(11,278)	N/A	15,058	\$ 978,491
3	Current Rate Of Return (L2 / L1)	5.23%		5.07%	12.91%			N/A		12.05%
4	Required Operating Income (L5 X L1)	\$ 1,178,929		\$ 1,217,267	\$ 494,863	\$ 38,690	\$ -	N/A	\$ 16,241	\$ 549,749
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%			N/A	0.20%	6.77%
6	Operating Income Deficiency (L4 - L2)	\$ 382,853		\$ 421,190	\$ (477,462)	\$ 36,304	11,278	N/A	\$ 1,183	\$ (428,742)
7	Gross Revenue Conversion Factor (Sch. TJC-1, page 2)	1.6286		1.6286	1.6549	-0.0263		N/A		1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	<u>\$ 623,527</u>		<u>685,950</u>	<u>\$ (790,139)</u>	<u>\$ 59,125</u>	<u>\$ 18,367</u>	N/A	<u>\$ 1,926</u>	\$ (698,249)
9	Adjusted Test Year Revenue	\$ 4,394,775		\$ 4,394,775	\$ 4,394,775			N/A		\$ 4,394,775
10	Proposed Annual Revenue (L8 + L9)	\$ 5,018,302		\$ 5,080,725	\$ 3,604,636			N/A		\$ 3,696,526
11	Required Percentage Increase In Revenue (L8 / L9)	14.19%		15.61%	-17.98%			N/A		-15.89%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%			N/A	0.50%	9.61%

References:  
Column (A): Company Schedules A-1 and C-1  
Column (B): RUCO Schedule TJC-2  
Column (C): Recalculated After Adjusting To OCRB  
Column (D): RUCO Schedules TJC-3 & TJC-6  
Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See RUCO Witness Rodney Moore's Surrebutal Testimony  
Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries & Wages - See RUCO Surrebutal Schedule TJC-1C  
Column (G): Adjustment No. 3 - Intentionally Left Blank (Applies Only To Sun City Water District)  
Column (H): Adjustment No. 4 - Revised Cost of Capital Figure (See RUCO Witness William A. Rigby Surrebutal Testimony)  
Column (I): Column (D) + Column (E) + Column (F) + Column (G) + Column (H)

**OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES & WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Mohave Water	2371	\$ 651,510	\$ 175,908	\$ 475,602	15	\$ 40,059
2	Havasus Water	2373	144,850	39,110	105,741	3	8,824

	COMPANY	RUCO AS	SURREBUTTA	RUCO	RUCO
	AS FILED	ADJ'TED	L ADJUSTM'T	DIRECT ADJUSTM'T	INCREMENTAL ADJUSTM'T
3	MOHAVE WATER				
	Salaries & Wages	\$ 573,696	\$ 475,602	\$ (98,094)	\$ (115,512)
4	Payroll Tax	47,563	40,059	(7,504)	17,418
5	TOTAL	\$ 621,259	\$ 515,661	\$ (105,598)	1,333

**References:**

Columns (A) & (D): Company Provided Data on AZ-AM 2002 Payroll

Column (B): 27% of Column (A) - Calculated as Representative of Labor Associated with Capital Projects

Column (C): Column (A) minus Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**RATE DESIGN**

LINE NO.	CUSTOMER CLASSIFICATION and/or Meter Size	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1				
2	Residential 5/8 Inch	7.75	145,860	1,130,415
3	Residential 1 Inch	13.50	372	5,022
4	Residential 1.5 Inch	22.50	-	0
5	Residential 2 Inch	27.00	108	2,916
6				
7	Residential Multi-Family 5/8 Inch	7.75	1,056	8,184
8	Residential Multi-Family 1 Inch	7.75	456	3,534
9	Residential Multi-Family 1.5 Inch	7.75	36	279
10	Residential Multi-Family 2 Inch	7.75	1,308	10,137
11	Residential Multi-Family 4 Inch	7.75	24	186
12	Residential Multi-Family 6 Inch	7.75	24	186
13				
14	<u>Residential Rio Water</u>			
15	5/8 Inch (a)	6.95	3,276	22,780
16	1 Inch (a)	11.90	12	143
17	2 Inch (a)	22.00	12	264
18				
19	Commercial 5/8 Inch	7.75	4,608	35,712
20	Commercial 1 Inch	13.50	1,680	22,679
21	Commercial 1.5 Inch	22.50	192	4,320
22	Commercial 2 Inch	27.00	2,016	54,429
23	Commercial 3 Inch	53.00	192	10,175
24				
25	Commercial Multi-Unit 5/8 Inch	7.75	240	1,860
26	Commercial Multi-Unit 1 Inch	7.75	60	465
27	Commercial Multi-Unit 1.5 Inch	7.75	12	93
28	Commercial Multi-Unit 2 Inch	7.75	24	186
29				
30	Public Authority 5/8 Inch	7.75	324	2,511
31	Public Authority 1 Inch	13.50	96	1,296
32	Public Authority 1.5 Inch	22.50	60	1,350
33	Public Authority 2 Inch	27.00	432	11,665
34	Public Authority 3 Inch	53.00	12	636
35	Public Authority 4 Inch	80.00	8	640
36	Public Authority 6 Inch	179.00	12	2,148
37				
38	Private Fire 2 Inch	2.80	132	369
39	Private Fire 4 Inch	5.50	759	4,171
40	Private Fire 6 Inch	8.00	180	1,441
41	Private Fire 8 Inch	10.75	60	645
42	Private Fire 10 Inch	13.50	12	162
43	Private Fire Hydrant	6.90	1,884	12,990
44				
45	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		165,539	1,353,982
46				
47	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
48				
49	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
50				
51	Mohave	\$ 1.26	1,727,834	\$ 2,177,071
52	Rio Water	\$ 1.43	39,406	\$ 56,351
53				
54	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		1,767,240	\$ 2,233,421
55				
56	Miscellaneous Revenue			108,705
57				
58	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 3,696,114</b>
59				
60	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			3,696,115
61	Difference			\$ 2

References:

Column (A): TJC-16, Page 2 - Recommended/Proposed Rates  
Column (B): Response To RUCO Data Request No. 1.0  
Column (C): Columns (A) X (B)

RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 X 3/4 - Inch (a)	\$ 8.65	\$ 9.84	\$ 7.75
2	3/4 - Inch	-	-	-
3	1 - Inch	15.00	17.07	13.50
4	1 1/2 - Inch	25.00	28.45	22.50
5	2 - Inch	30.00	34.14	27.00
6	3 - Inch	60.00	68.28	53.00
7	4 - Inch	90.00	102.42	80.00
8	6 - Inch	200.00	227.60	179.00
9	8 - Inch	400.00	455.20	344.50
10	10 - Inch	N/A	787.20	596.00
<u>Residential Rio Water</u>				
11	5/8 X 3/4 Inch (a)	7.75	8.82	6.95
12	1 Inch (a)	7.75	8.82	11.90
13	2 Inch (a)	7.75	8.82	22.00
<u>Private Fire</u>				
14	2 Inch or Smaller (a)	3.00	3.41	2.80
15	4 Inch (a)	6.00	6.83	5.50
16	6 Inch (a)	9.00	10.24	8.00
17	8 Inch (a)	12.00	13.66	10.75
18	10 Inch	15.00	17.07	13.50
19	12 Inch (a)	18.00	20.48	15.50
20	14 Inch (a)	21.00	23.90	18.10
21	20 Inch	30.00	34.14	25.85
22	Per Sprinkler Head (a)	0.51	0.58	0.44
23	Per each Private Fire Hydrant (a)	7.64	8.69	6.55
<u>Gallons In Minimum</u>				
24	All (except Rio Water)	1000	1,000	0
25	Multi-Units based on multiple of 5/8 x 3/4			
26	Rio Water	2000	2,000	0
<u>Tier 1: Gallons up to 999,999,999</u>				
27	All (except Rio Water)	999,999,999	999,999,999.00	999,999,999.00
28	(Multi-Units based on multiple of 5/8 x 3/4)			
29	Rio Water	999,999,999	999,999,999.00	999,999,999.00
<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>				
28	All (a)	1.48	1.68	1.26
29	Rio Water (a)	1.75	1.99	1.43

(a) Rounded to nearest whole cent

References:

Columns (A) & (B): Company Schedule H-3, Pages 1 & 2

Column (C): TJC-16, Page 1

**SURREBUTAL  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIGINAL COST	(D) DIRECT RUCC ORIGINAL COST	(E) NO. 1	(F) SURREBUTAL RUCC - OCRB ADJUSTMENTS NO. 2	(G) NO. 3	(H) NO. 4	(I) SURREBUTAL RUCC OCRB AS ADJUSTED
1	Fair Value Rate Base	\$ 1,369,042	\$ 53,501	\$ 1,422,543	\$ 766,406	\$ 1,280	\$ -	N/A	\$ -	\$ 767,686
2	Adjusted Operating Income (Loss)	\$ (16,329)		\$ (16,329)	\$ 48,406	8	(16,970)	N/A	(6)	\$ 31,438
3	Current Rate Of Return (L2 / L1)	-1.19%		-1.15%	6.32%			N/A		4.10%
4	Required Operating Income (L5 X L1)	\$ 106,094		\$ 110,247	\$ 50,357	84	\$ -	N/A	\$ 1,535	\$ 51,972
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%			N/A	0.20%	6.77%
6	Operating Income Deficiency (L4 - L2)	\$ 122,424		\$ 126,576	\$ 1,951	76	\$ 16,970	N/A	\$ 1,541	\$ 20,534
7	Gross Revenue Conversion Factor (Sch. TJC-1, page 2)	1.6286		1.6286	1.2646			N/A		1.2646
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 199,384		\$ 206,142	\$ 2,467	96	\$ 21,460	N/A	\$ 1,949	\$ 25,968
9	Adjusted Test Year Revenue	\$ 440,924		\$ 440,924	\$ 440,924			N/A		\$ 440,924
10	Proposed Annual Revenue (L8 + L9)	\$ 640,308		\$ 647,066	\$ 443,391			N/A		\$ 466,892
11	Required Percentage Increase In Revenue (L8 / L9)	45.22%		46.75%	0.56%			N/A		5.89%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%			N/A	0.50%	9.61%

References:  
Column (A): Company Schedules A-1 and C-1  
Column (B): RUCC Schedule TJC-2  
Column (C): Recalculated After Adjusting To OCRB  
Column (D): RUCC Schedules TJC-3 & TJC-6  
Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See RUCC Witness Rodney Moore's Surrebutal Testimony  
Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries & Wages - See RUCC Surrebutal Schedule TJC-1C  
Column (G): Adjustment No. 3 - Intentionally Left Blank (Applies Only To Sun City Water District)  
Column (H): Adjustment No. 4 - Revised Cost of Capital Figure (See RUCC Witness William A. Rigby Surrebutal Testimony)  
Column (I): Column (D) + Column (E) + Column (F) + Column (G) + Column (H)

**OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES & WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Mohave Water	2371	\$ 651,510	\$ 175,908	\$ 475,602	15	\$ 40,059
2	Havasu Water	2373	144,850	39,110	105,741	3	8,824

		COMPANY AS FILED	RUCO AS ADJ'TED	SURREBUTTAL ADJUSTM'T	RUCO DIRECT ADJUSTM'T	RUCO INCREMENTAL ADJUSTM'T
3	HAVASU WATER Salaries & Wages	\$ 117,341	\$ 105,741	\$ (11,601)	\$ (31,535)	\$ 19,935
4	Payroll Tax	9,712	8,824	(888)	(2,413)	1,525
5	TOTAL	\$ 127,053	\$ 114,565	\$ (12,488)		

**References:**

Columns (A) & (D): Company Provided Data on AZ-AM 2002 Payroll

Column (B): 27% of Column (A) - Calculated as Representative of Labor Associated with Capital Projects

Column (C): Column (A) minus Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**RATE DESIGN - PROOF OF REVENUE CONTD**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 12.00	13,608	\$ 163,296
2	1 Inch Residential	20.75	-	0
3	1.5 Inch Residential	29.50	-	-
4	2 Inch Residential	41.00	-	-
5	3 Inch Residential	55.00	0	0
6	4 Inch Residential	70.50	-	-
7	6 Inch Residential	240.00	0	0
8				
9	5/8 Inch Commercial	12.00	420	5,040
10	1 Inch Commercial	20.75	60	1,245
11	2 Inch Commercial	41.00	24	984
12	3 Inch Commercial	55.00	36	1,980
13	4 Inch Commercial	70.50	12	846
14	6 Inch Commercial	240.00	0	
15				
16	Multi-Family - All Meter Sizes	12.00	108	1,296
17				
18	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>14,268</u>	<u>\$ 174,687</u>
19				
20	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
21				
22	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
23				
24	Havasu	\$ 1.75	160,957	\$ 281,675
25				
26	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>160,957</u>	<u>\$ 281,675</u>
27				
28				
29	Miscellaneous Revenue			10,532
30				
31	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 466,894</u></u>
32				
33	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			\$ 466,892
34	Difference			\$ 2

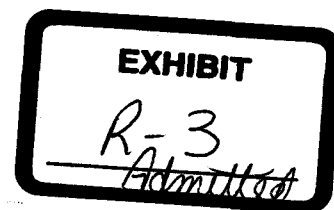
References:  
Column (A): TJC-16, Page 2 - Recommended/Proposed Rates  
Column (B): Response To RUCO Data Request No. 1.04  
Column (C): Columns (A) X (B)

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 10.00	\$ 14.61	\$ 12.00
2	1 Inch Residential	17.10	24.98	20.75
3	1.5 Inch Residential	24.00	35.06	29.50
4	2 Inch Residential	33.60	49.09	41.00
5	3 Inch Residential	45.60	66.62	55.00
6	4 Inch Residential	57.60	84.15	70.50
7	6 Inch Residential	200.00	292.20	240.00
8	8 Inch Residential	400.00	584.40	430.00
9				
10	5/8 Inch Commercial	10.00	14.61	\$ 12.00
11	1 Inch Commercial	17.10	24.98	20.75
12	2 Inch Commercial	33.60	49.09	41.00
13	3 Inch Commercial	45.60	66.62	55.00
14	4 Inch Commercial	57.60	84.15	70.50
15	6 Inch Commercial	200.00	292.20	240.00
16	8 Inch Commercial	400.00	584.40	430.00
17				
18	Multi-Family - All Meter Sizes	10.00	14.61	12.00
19				
20	<u>Gallons In Minimum</u>			
21	All, except Multi-Unit Properties	1000	1,000	0
22	Multi-Units based on multiple of 5/8 x 3/4			
23				
24	<u>Tier 1: Gallons up to 999,999,999</u>			
25	All, except Multi-Unit Properties	999,999,999	999,999,999.00	999,999,999.00
26	Multi-Units based on multiple of 5/8 x 3/4			
27				
28				
29	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
30				
31	Summer Rate	1.42	2.07	1.75
32	Winter Rate	1.31	1.91	1.75
33				
34				
35				
36	References:			
37	Columns (A) & (B): Company Schedule H-3, Pages 1 & 2			
38	Column (C): TJC-16, Page 1			

ARIZONA-AMERICAN WATER COMPANY

DOCKET NO. W-01303A-02-0867 et al.



DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

SEPTEMBER 5, 2003

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**INTRODUCTION**

Q. Please state your name, position, employer and address.

A. Rodney L. Moore, Public Utilities Analyst V

Residential Utility Consumer Office ("RUCO")

1110 West Washington Street, Suite 220

Phoenix, Arizona 85007

Q. Please state your educational background and work experience.

A. I obtained a Bachelor's Degree in Business Administration in 1993 from Athabasca University. I have attended several training classes and courses regarding auditing, rate design, income taxes, and other utility related matters. From 1966 to 1993, I was employed by Telus Corporation, Inc., a large telecommunication company, where I assumed various positions from lineman to office administrator. In 1995, I began my employment with the Arizona Corporation Commission ("ACC" or "Commission"). I worked in the Consumer Service Section until accepting a position as an Auditor in October 1999 with the Accounting and Rates Section. In May of 2001, I succeeded to my current position at RUCO. My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters.

...

1 Q. Please state the purpose of your testimony.

2 A. The purpose of my testimony is to present RUCO's recommendations  
3 regarding Arizona-American Corporation's ("Company", "Arizona-American"  
4 or "AZ-AM") applications for a determination of the current fair value of its  
5 utility plant and property and for increases in its rates and charges based  
6 thereon for utility service by its water and wastewater Districts.

7  
8 Q. Do you have any reservations concerning the accuracy, validity and/or  
9 relevancy of your testimony?

10 A. Yes, I do. Basic principles expressed by the National Association of  
11 Regulator Utility Commissioners ("NARUC") require the Company to readily  
12 furnish full information as to any item included in any account. Each entry  
13 shall be supported by such detailed information as will permit a ready  
14 identification, analysis and verification of all facts relevant thereto.

15  
16 My testimony is based on the investigation and analysis of the application, the  
17 Company's response to discovery requests and direct communication with  
18 Company witnesses.

19  
20 However, after more than 300 questions on 39 sets of data requests,  
21 numerous telephone conversations and several face-to-face meetings, a  
22 large percentage of the information provided by the Company was irrelevant,  
23 stale, incomplete, non-verifiable, poorly formatted, suspect and/or untimely.

24 The sheer number of requests for substantive data is an indicator that the

1 original Company's filing was inadequate to make any fair and reasonable  
2 determination of basic ratemaking principles.  
3

4 Q. What were some of the major problems you encountered?

5 A. Briefly:

- 6 1. Bill Counts – I spent numerous hours trying to reconcile three different  
7 versions of the Bill Count. The final version in electronic format was  
8 massive, very user unfriendly and time consuming to interpret;
- 9 2. Test Year – The Company filed 2001 as its historical test year.  
10 However, AZ-AM did not complete the purchase and begin operation  
11 of the utilities until January 15, 2002. Therefore, much of the data  
12 contained in the filing was not relevant under AZ-AM's ownership. The  
13 historical test year reflects conditions under the control of Citizens' and  
14 does not represent Arizona-American operational control;
- 15 3. Pro Forma Adjustments – In order to obtain relevant data under AZ-  
16 AM's ownership it became necessary to look at 2002 data. It was time  
17 consuming to obtain new data (some actual, some estimated), analyze  
18 it and develop a proper correlation between revenue and expenses;
- 19 4. Prior Test Year 1995 Gross Plant Balance – The Company was  
20 unable to provide the Commission's approved 1995 plant item values.  
21 Therefore, values had to be extrapolated from reviewing the previous  
22 application and Decision No. 60172. This was labor intensive;

23 ...

24 ...

1           5.     Plant Additions and Retirements – Many entries had to be analyzed  
2                 without verification due to the lack of source documents. Therefore,  
3                 many hours were spent determining the reasonableness and/or  
4                 acceptability of plant additions, adjustments and retirements as  
5                 proposed by the Company; and

6           6.     Allocation Factors – RUCO requested in its third data request the  
7                 specific allocation factors per District. Instead the Company  
8                 responded with aggregated numbers, which then had to be  
9                 recalculated for each District at the expense of valuable time.

10  
11    Q.     What is RUCO's recommendation?

12    A.     Based on the findings of my review and analysis of the Company's  
13             application and records, RUCO recommends the application be denied, and  
14             the Company be required to file a rate application using a typical historical  
15             test year.

16  
17             RUCO strongly believes that any determination of the ratemaking elements  
18             based on this application as filed would not accurately represent the actual  
19             present value of the rate base, operating income, operating expenses and /or  
20             revenue requirement.

21  
22             In the alternative, several adjustments are proposed in this testimony, which  
23             are reasonable and could be considered by the Commission in its final  
24             determination.

**BACKGROUND**

Q. Please summarize the application.

A. This consolidated proceeding requests increases in the rates and charges for ten systems ("Districts") under the ownership umbrella of Arizona-American. The rate cases for these ten Districts were filed in five separate applications:

1. First Application:

Sun City West Water..... Docket No.: W-01303A-02-0867

Sun City West Wastewater..... Docket No.: SW-01303A-02-0867

2. Second Application:

Sun City Water..... Docket No.: W-01303A-02-0868

Sun City Wastewater..... Docket No.: SW-01303A-02-0868

3. Third Application:

Mohave Water..... Docket No. W-01303A-02-0869

Havasu Water..... Docket No.: W-01303A-02-0869

4. Fourth Application:

Agua Fria Water..... Docket No.: W-01303A-02-0870

Anthem Water..... Docket No.: W-01303A-02-0870

Anthem/Agua Fria Wastewater..... Docket No.: SW-01303A-02-0870

5. Fifth Application:

Tubac Water..... Docket No.: - W-01303A-02-0908

These ten Districts were previously owned by Citizens' Communications ("Citizens" or "CUC"). Arizona-American purchased all of the water and wastewater assets of Citizens in Arizona as approved by the Commission in

1 Decision No. 63584, dated April 24, 2001, with AZ-AM assuming operational  
2 control on January 15, 2002.

3  
4 RUCO assigned several analysts to review this filing. My testimony and  
5 analysis was primarily focused on the following five Districts:

- 6 1. Sun City West Water District ("Sun City West Water");
- 7 2. Sun City West Wastewater District ("Sun City Wastewater");
- 8 3. Sun City Water District ("Sun City Water");
- 9 4. Sun City Wastewater District ("Sun City Wastewater"); and
- 10 5. Tubac Water District ("Tubac").

11  
12 I prepared five sets of Schedules, RLM-1 through RLM-19, which are filed  
13 concurrently in support of my testimony.

14  
15 Many ratemaking issues are common throughout this consolidated  
16 application; therefore, to provide a thorough analysis and a consistent  
17 implementation of recognized ratemaking principles, generic adjustments will  
18 be sponsored by other RUCO witnesses. The following is a breakdown of the  
19 testimony that will be sponsored:

- 20  
21 1. Rodney L. Moore will sponsor:
  - 22 a. Prior Test Year Plant;
  - 23 b. Pro Forma Plant;
  - 24 c. Acquisition Premium;

- d. Removal of Citizens' test year salaries and wages; and
- e. Projected Arizona-American's additional overhead expenses.

2. Marylee Diaz Cortez will sponsor:

- a. Accepting original cost rate base ("OCRB") versus reconstruction cost new depreciated ("RCND") as the rate base;
- b. Problems with using 2001 as the test year;
- c. Allocation of AZ-AM's Service Company charges;
- d. Projected Arizona-American's salaries and wages; and
- e. Rate case expense.

3. Timothy J. Coley will sponsor:

- a. Contributions in aid of construction ("CIAC");
- b. Depreciation expenses;
- c. Property taxes; and
- d. Income tax expenses.

4. William A Rigsby will sponsor:

- a. Cost of Capital.

...

...

...

...

**SUMMARY OF ADJUSTMENTS**

Q. Please summarize the adjustments to rate base, operating expenses, cost of capital, and rate design issues addressed in your testimony.

A. My testimony addresses the following issues:

**Rate Base**

Fair Value Rate Base – RUCO did not consider the Company's position on using RCND plant information; instead, I calculated fair value rate base ("FVRB") as OLCB.

Test Year Plant In Service and Accumulated Depreciation - The adjustment is based on my reconstruction of the gross utility plant and accumulated depreciation balance from the prior 1995 test year through the instant 2001 test year.

Post-Test Year Plant In Service and Accumulated Depreciation - The adjustment is based on my reconstruction of the revenue neutral plant and accumulated depreciation balance from the end of the 2001 test year through the end of 2002 post-test year.

Acquisition Adjustment - The adjustment is based on my removal of the Company's entire request for an Acquisition Adjustment.

**Operating Expenses**

Operating Income – There were no adjustments made to the test year total operating revenues.

...

...

...

1        Salaries and Wages Expense – The adjustments are based on RUCO's  
2        calculation of the differences between Citizens' corporate allocations and AZ-  
3        AM's Service Company charges.

4        Chemicals – (For the Sun City Wastewater District Only). I reinstated the  
5        \$105,695 expense documented but not included in the total adjusted  
6        operating expenses of Sun City Wastewater.

7        Office Supplies and Expense – The adjustments are based on my calculation  
8        of the differences between Citizens' corporate allocations and AZ-AM's  
9        Service Company charges.

10       Service Company Charges – The adjustments are based on my calculation of  
11       the differences between Citizens' corporate allocations and AZ-AM's Service  
12       Company charges.

13       Insurance – Generally Liability – The adjustments are based on my  
14       calculation of the differences between Citizens' corporate allocations and AZ-  
15       AM's Service Company charges.

16       Regulatory Commission Expense – Rate case – The adjustment is based on  
17       RUCO's determination of the fair and reasonable cost to AZ-AM's ratepayers  
18       for this application process.

19       Miscellaneous Expense – The adjustments are based on my calculation of  
20       the differences between Citizens' corporate allocations and AZ-AM's Service  
21       Company charges.

22       Depreciation Expense – This adjustment decreases test year operating  
23       expenses to reflect computations based on RUCO's recommended total plant  
24       value using the Commission's approved depreciation rates.

Taxes Other Than Income - The adjustments are based on RUCO's calculation of the payroll tax differences between Citizens' corporate allocations and AZ-AM's Service Company charges.

Property Taxes Expense - This adjustment reflects the Company's property tax based on the use of the Arizona Department of Revenue formula.

Income Tax Expense - This adjustment reflects income tax expenses calculated on RUCO's recommended revenues and expenses.

### **Cost Of Capital**

This adjustment decreased the Company's weighted cost of capital to 6.57 percent versus the 7.75 percent proposed in the Company's filing.

### **Rate Design**

I am recommending a rate design that is generally consistent with the Company's proposed rate design, but reflects RUCO's recommended revenue requirement.

## **REVENUE REQUIREMENTS**

Q. Please summarize the results of your analysis of the Company's filing and state RUCO's recommended revenue requirements.

A. As outlined in Schedule RLM-1, I am recommending the Company Districts' revenue requirement not to exceed:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$4,863,188	\$3,860,482	\$1,002,706
Sun City West Wastewater	\$5,494,492	\$4,563,072	\$931,420
Sun City Water	\$11,559,457	\$8,156,424	\$3,403,033

1	Sun City Wastewater	\$5,727,731	\$4,193,565	\$1,534,166
2	Tubac Water	\$469,847	\$295,298	\$174,549

3

4 My recommended decrease in FVRB based on the OCRB is summarized on

5 Schedule RLM-1 for each District:

6		<u>AZ-AM – FVRB/RCND</u>	<u>RUCO – FVRB/OCRB</u>	<u>DIFF.</u>
7	Sun City West Water	\$16,407,508	\$11,366,817	\$5,040,691
8	Sun City West Wastewater	\$13,455,978	\$10,470,538	\$2,985,440
9	Sun City Water	\$48,703,466	\$22,304,176	\$26,399,290
10	Sun City Wastewater	\$20,233,577	\$8,893,529	\$11,340,048
11	Tubac Water	\$1,903,764	\$1,172,012	\$731,752

12 The detail supporting my recommended rate base is presented on Schedule

13 RLM-2.

14

15 My recommended adjusted decrease in operating income is shown on

16 Schedule RLM-1 as:

17		<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
18	Sun City West Water	\$1,271,506	\$746,868	\$524,638
19	Sun City West Wastewater	\$1,042,776	\$687,977	\$354,799
20	Sun City Water	\$3,774,295	\$1,465,517	\$2,308,778
21	Sun City Wastewater	\$1,568,009	\$584,358	\$983,651
22	Tubac Water	\$147,501	\$77,008	\$70,493

23 The detail supporting this recommendation is presented on Schedule RLM-7.

24 ...

My recommended revenue requirement increases versus the Company's proposals are as follows:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	43.85%	14.19%	29.66%
Sun City West Wastewater	55.60%	29.06%	26.54%
Sun City Water	86.74%	31.70%	55.04%
Sun City Wastewater	12.57%	-17.58%	30.15%
Tubac Water	85.06%	16.04%	69.02%

Schedule RLM-1 presents the calculation of my recommended requirements.

#### **RATE BASE**

##### Rate Base Recommendation

Q. Please state the methodology used to determine the Rate Base RUCO is recommending.

A. The Company has requested its reconstruction cost new less depreciation represent its fair value rate base; however, RUCO is recommending the original cost rate base represent its fair value, as shown on Schedule RLM-2.

Q. Does RUCO support the use of a reconstruction cost new depreciated rate base, as proposed by the Company?

A. No, it does not. RUCO is recommending the use of original cost rate base. This adjustment is fully explained in the testimony of RUCO witness Marylee Diaz Cortez.

...

Rate Base Adjustment No. 1 – Test Year Original Cost Rate Base

Q. Please explain the basis for your adjustments to the test year gross utility plant and accumulated depreciation.

A. This adjustment consists of three elements as presented on Schedule RLM-3. First, I determined the value of the 1995 prior test year plant and the accumulated depreciation based on the FVRB approved by the Commission in Decision No. 60172, dated May 7, 1997. Second, I proceeded to reconstruct the plant value through the years to the end of the 2001 test year. Third, I reconciled the difference between the value of Citizens' general plant and AZ-AM's common plant.

Q. Please explain your first element of this adjustment.

A. Through arduous investigation of Citizens' prior rate case application and review of Decision No. 60172, specifically Exhibit A, I was able to reconstruct the approved value of the 1995 prior test year gross plant and accumulated depreciation. The detail supporting this adjustment is presented on Schedule RLM-4, page 1 through page 3.

Q. Please explain the second element of this adjustment.

A. Having established, for ratemaking purposes, the initial value of the gross plant and accumulated depreciation, I then analyzed Citizens' plant records of additions, adjustments and retirements from the prior test year of March 31, 1995 through the instant test year of December 31, 2001. Also, several data requests dealing with rate base had to be reviewed. Specifically, the

1 Company's response to Staff data request No. JAC 28-3 resulted in the  
2 reduction of Sun City West Wastewater 2001 total plant by \$213,110. My  
3 assessment culminated in a statement of the 2001 test year gross plant and  
4 accumulated depreciation under the operation and ownership of Citizens.  
5 The detail supporting these adjustments are presented on Schedule RLM-4,  
6 page 4 through page 11.

7  
8 Q. Please explain your third element of this adjustment.

9 A. Since Citizens sold its assets to AZ-AM after the end of the 2001 test year, an  
10 adjustment was made to reflect the removal of Citizens' general plant and the  
11 insertion of AZ-AM's common plant allocated to each District. This  
12 adjustment represents, on a going forward basis, the value of test year total  
13 plant under AZ-AM's administration. This allocated general/common plant  
14 component consists of each company's respective office buildings, office  
15 furniture and equipment, transportation equipment, and other general  
16 equipment, which was/is used jointly by each District. The detail supporting  
17 these adjustments is presented on Schedule RLM-4, page 12.

18  
19 Rate Base Adjustment No. 2 – Post-test Year Original Cost Rate Base

20 Q. Please explain your adjustment to the post-test year OCRB.

21 A. This adjustment is the difference between the estimated amounts of revenue  
22 neutral projects proposed in the Company's filing and the actual costs of  
23 these projects that were completed by the end of the calendar year 2002.  
24 Revenue neutral projects were those capital plant additions utilized solely to

1 service existing customers. Moreover, the accumulated depreciation was  
2 adjusted, using the half-year convention, to reflect this post-test year plant  
3 and necessitated by the need to match the rate base elements. The detail  
4 supporting these adjustments is presented on Schedule RLM-5, page 1.

5  
6 Rate Base Adjustment No. 3 – Citizens' Acquisition Adjustment

7 Q. What is the appropriate ratemaking treatment for an acquisition premium  
8 adjustment?

9 A. Generally, the adjustment or premium associated with an acquisition should  
10 not be recoverable from ratepayers. Inclusion of this premium in a general  
11 rate case artificially inflates the cost of the assets and in turn rates. After the  
12 acquisition, the same assets will serve the same customers. Thus, the mere  
13 transfer should not serve to increase rates.

14  
15 Q. Are you aware of any instances where regulatory authorities have allowed  
16 rate recovery of acquisition adjustments?

17 A. On occasion, regulatory authorities have considered rate recovery of some  
18 portion of the premium if the utility is able to demonstrate definitive savings  
19 and benefits attributable to the acquisition.

20  
21 Q. How does AZ-AM propose to treat the acquisition adjustment in this filing?

22 A. In the instant filing, the Company has made an alternative proposal using  
23 OCRB instead of RCND as its FVRB. In this scenario, the Company has  
24 requested an increase to each Districts' OCRB by the proportionate share of

the Citizens' Acquisition Adjustment. The amounts of these adjustments are detailed in supporting Schedule RLM-3.

	<u>AZ-AM</u>	<u>RUCO</u>
Sun City West Water	\$8,164,652	\$0
Sun City West Wastewater	\$10,401,376	\$0
Sun City Water	\$9,746,553	\$0
Sun City Wastewater	\$5,264,640	\$0
Tubac Water	\$531,184	\$0

Q. Do you agree with this procedure?

A. No, I do not. As illuminated in Arizona-American's witness Mr. Stephenson testimony and supported in his exhibit 1, the prior settlement agreement attached to Decision No. 63584, which mandated the Commission's evaluation of Arizona-American's acquisition adjustment, specifically states in part:

The decision to allow recovery of the acquisition adjustment must be based on Arizona-American's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by ratepayers, which would not have been realized had the transaction not occurred.

I believe it is premature to propose any ratemaking treatment for a potential acquisition adjustment related to AZ-AM. At the time of the filing Arizona-American had not operated the Company long enough to demonstrate any operational and administrative efficiencies and/or customer benefits the acquisition has brought to customers. Absent a clear and definitive showing

of operational efficiencies both accepted ratemaking principles and Decision No. 63584 preclude the recognition of the acquisition premium.

Q. What treatment do you recommend for the Acquisition Adjustment?

A. To meet the terms and conditions of Decision No. 63584, the acquisition premium should not receive rate recognition until such time as the Company demonstrates substantial benefits of the acquisition. AZ-AM has not done so in the instant filing. Therefore, any consideration of the acquisition premium should be postponed until AZ-AM's next Arizona general rate case.

#### OPERATING INCOME

Q. What changes are you recommending to the Company's test year operating revenue?

A. As shown on Schedule RLM-6, column (B), line 1 through line 4, I did not make any adjustments to test year operating revenues.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$3,380,774	\$3,380,774	\$0
Sun City West Wastewater	\$3,535,680	\$3,535,680	\$0
Sun City Water	\$6,193,090	\$6,193,090	\$0
Sun City Wastewater	\$5,088,340	\$5,088,340	\$0
Tubac Water	\$254,486	\$254,486	\$0

...

...

...

**OPERATING EXPENSE**

Operating Expenses Summary

Q. Are you recommending any changes to the Company's proposed operating expenses?

A. Yes I am. As shown on Schedule RLM-7, column (B) through column (K), RUCO made ten adjustments to the operating expenses of each District as explained below.

Q. Please summarize your adjustments to reflect the sale of assets from Citizens to Arizona-American.

A. Adjustments No. 1 through No. 4 and No. 8 are all related. These adjustments concern the transition of ownership from Citizens to Arizona-American and projected test year expenses under AZ-AM's corporate administration, while removing the appropriate costs associated with CUC's overhead.

Adjustments No. 5, 6, 7 and 10 address: depreciation, property tax, rate case and income tax expenses, respectively.

Adjustment No. 9 deals specifically with a computation error associated with the Material and Supplies Expense account for Sun City Wastewater.

...

...

...

Operating Expense Adjustment No. 1 – Citizens' Corporate Allocations

Q. Please explain your adjustment to Citizens' general plant allocation.

A. I did not make any adjustments to the Company's proposed removal of Citizens' corporate expenses for the five Districts I analyzed.

Operating Income Adjustment No. 2 – Citizens' Test Year Salaries and Wages

Q. Please explain your adjustment to the removal of Citizens' salaries, wages and payroll taxes.

A. According to data provided through discovery, Citizens' test year salaries and wages were accurately recorded. However, from the general ledger, the payroll tax account differed from the amount recorded by AZ-AM in this filing.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$4,764	\$9,108	\$4,344
Sun City West Wastewater	\$67,189	\$67,189	\$0
Sun City Water	\$114,680	\$72,671	\$ (42,009)
Sun City Wastewater	\$24,872	\$21,907	\$ (2,965)
Tubac Water	\$26,283	\$4,857	\$ (21,426)

Therefore, since the Company deemed the general ledger information provided in Staff data request 1.03 to be correct, the appropriate adjustments were made. The detail supporting these adjustments is presented on Schedule RLM-8.

...

...

Operating Income Adjustment No. 3 – AZ-AM's Service Company Charges

Q. Please explain your adjustment to the allocations of AZ-AM's Service Company charges.

A. In companion with Adjustment No. 1 above, this adjustment inserts Arizona-American's similar expenses to reflect known and measurable changes to test year expenses. However, discovery provided evidence indicating the allowable amount of the total service charges differed from the amount requested by AZ-AM in this filing.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$515,886	\$437,098	\$ (78,789)
Sun City West Wastewater	\$552,478	\$468,101	\$ (84,377)
Sun City Water	\$926,122	\$784,680	\$ (141,442)
Sun City Wastewater	\$522,586	\$442,774	\$ (79,812)
Tubac Water	\$38,653	\$32,750	\$ (5,903)

The detail supporting these adjustments is presented on Schedule RLM-9.

This adjustment is fully explained in the testimony of RUCO witness Marylee Diaz Cortez.

Operating Income Adjustment No. 4 – AZ-AM's Salaries and Wages

Q. Please explain your adjustment to the allocation of AZ-AM's salaries and wages.

A. AZ-AM's filing projected estimated amounts for these expenses; however, through discovery, the actual values were determined. Moreover, an

accurate assessment of the non-allowable capitalized portion of labor costs was calculated and removed from the allocation.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$375,805	\$270,185	\$ (105,620)
Sun City West Wastewater	\$481,323	\$331,161	\$ (150,162)
Sun City Water	\$796,513	\$609,524	\$ (186,989)
Sun City Wastewater	\$96,303	\$63,850	\$ (32,453)
Tubac Water	\$64,473	\$53,717	\$ (10,756)

The detail supporting these adjustments is presented on Schedule RLM-10.

This adjustment is fully explained in the testimony of RUCO witness Marylee Diaz Cortez.

Operating Income Adjustment No. 5 – Depreciation Expense

Q. Please explain your adjustment to increase/decrease the Depreciation Expense account.

A. As shown on Schedule RLM-11, I adjusted depreciation expenses to reflect the Commission's approved depreciation rates applied to my restated plant balances.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$750,150	\$743,357	\$ (6,793)
Sun City West Wastewater	\$1,432,265	\$1,380,585	\$ (51,680)
Sun City Water	\$1,025,028	\$1,002,034	\$ (22,994)
Sun City Wastewater	\$514,852	\$520,421	\$5,569

1           Tubac Water                               \$37,208                   \$35,563                   \$ (1,645)

3   Operating Income Adjustment No. 6 – Property Tax Expense

4   Q.    Please explain your adjustment to the Real Estate Taxes Expense account.

5   A.    As shown on Schedule RLM-12, the real estate tax expenses were adjusted  
6           to reflect the Company's property tax based on the use of the Arizona  
7           Department of Revenue ("ADOR") formula.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
9       Sun City West Water	\$148,220	\$153,950	\$ (6,793)
10      Sun City West Wastewater	\$168,501	\$141,609	\$ (26,892)
11      Sun City Water	\$186,779	\$238,803	\$52,024
12      Sun City Wastewater	\$193,701	\$206,027	\$12,326
13      Tubac Water	\$23,752	\$20,054	\$ (3,698)

15           This adjustment is fully explained in the testimony of RUCO witness Timothy  
16           J. Coley.

18   Operating Income Adjustment No. 7 – Rate Case Expense

19   Q.    Please explain the adjustment to the allocation of AZ-AM's rate case  
20           expense.

21   A.    RUCO made a determination of what should be the financial burden on the  
22           ratepayers for the cost incurred by the Company for prematurely filing this  
23           rate case application.

24   ...

This fair and reasonable expense was then allocated according to the test year revenue of each District (the same methodology used by the Company).

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$66,939	\$40,065	\$ (26,874)
Sun City West Wastewater	\$70,006	\$41,901	\$ (28,106)
Sun City Water	\$122,623	\$73,393	\$ (49,230)
Sun City Wastewater	\$100,749	\$60,301	\$ (40,448)
Tubac Water	\$5,039	\$3,016	\$ (2,023)

The above amounts would then be amortized over three years. The detail supporting these adjustments is presented on Schedule RLM-13.

This adjustment is fully explained in the testimony of RUCO witness Marylee Diaz Cortez.

Operating Income Adjustment No. 8 – Additional Corporate Overhead

Q. Please explain your adjustment to the allocation of AZ-AM's projected corporate overhead.

A. At the time of the Company's filing there were no actual annual costs associated with AZ-AM's administration and operation of these ten Districts for the 2001 test year. Thus, this adjustment is a true-up to actual costs versus the estimated values requested by the Company.

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1 The actual costs were obtained through discovery and represent AZ-AM's  
2 corporate overhead expenses for the year 2002. I used the same  
3 methodology as the Company to categorize and allocate the expense across  
4 the ten Districts.

5  
6 Q. Please explain the methodology used to allocated the appropriate expense to  
7 each District.

8 A. As shown on Schedule RLM-14, page 1 through page 3, I obtained the actual  
9 value for each of 44 expense categories from the general ledger, I classified  
10 them into five groups: employee benefits (stated as Salaries and Wages by  
11 the Company), office expense, insurance, miscellaneous and a not allocated  
12 group. Each allocated group was then proportioned to the Districts by  
13 different allocation factors. For instance: employee benefits were allocated  
14 by a factor representative of the number of employees per District; director's  
15 fees office and miscellaneous expenses by a factor representative of the  
16 customer count per District; trustee's fees office, and miscellaneous  
17 expenses by a factor representative of the proforma plant per District; and  
18 general liability insurance by a factor representative of the FVRB per District.

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

Q. Did you have to revise any of allocation factors?

A. Yes, I did. The Company's filing allocated expenses to the Mohave Sewer District, but excluded the Paradise Valley Water District. Since the general ledger indicated these overhead expenses were considered to be Arizona wide corporate expenditures, I revised the allocation factors to recognize the Paradise Valley Water District.

Q. How did you determine the Paradise Valley Water District's allocation factors?

A. Through data obtained from Arizona-American's 2001 annual report, I was able to extrapolate its FVRB and employee count and thus estimate the allocation factors for Paradise Valley Water District. The resulting allocation of corporate overhead is as follows:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$300,468	\$225,855	\$ (74,613)
Sun City West Wastewater	\$332,507	\$219,739	\$ (112,768)
Sun City Water	\$320,555	\$474,833	\$154,278
Sun City Wastewater	\$320,555	\$283,230	\$ (37,325)
Tubac Water	\$33,106	\$15,758	\$ (17,348)

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Operating Income Adjustment No. 9 – Sun City Wastewater Only – Material and

Supplies Expenses

Q. Please explain your adjustment to the material and supplies expenses for Sun City Wastewater.

A. The Company inadvertently failed to record the adjusted test year amount of \$105,696 in this account on the Company's Schedule C-1, line 12. The detail supporting this adjustment is presented on Sun City Wastewater's Schedule RLM-6, line 10.

Operating Income Adjustment No. 10 – Income Tax Expenses

Q. What adjustments have you made to the test year Income Tax Expense account?

A. As shown on Schedule RLM-15, I revised total test year income taxes to reflect calculations based on my adjusted test year revenue and expenses.

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFF.</u>
Sun City West Water	\$ (97,736)	\$75,928	\$ 173,664
Sun City West Wastewater	\$ (369,763)	\$ (156,059)	\$213,704
Sun City Water	\$ (665,050)	\$ (245,509)	\$419,541
Sun City Wastewater	\$257,188	\$341,728	\$84,540
Tubac Water	\$ (28,505)	\$2,792	\$31,297

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...

...

1 Q. Have you also prepared a Schedule showing the calculation of Income Tax  
2 Expense on your proposed revenues?

3 A. Yes, I have. Schedule RLM-1, page 2, presents a calculation of income taxes  
4 on my proposed revenues. This Schedule provides proof that my proposed  
5 revenues will provide for all state and federal income taxes and result in the  
6 operating income I am recommending. This Schedule also shows the  
7 calculation of the revenue conversion factor that reconciles the required  
8 increase in revenue with the test year and required operating incomes.  
9

10 **COST OF CAPITAL**

11 Q. Have you made any adjustments to the Company proposed capital structure?

12 A. Yes, I have. As shown on Schedule RLM-16, this adjustment decreased the  
13 Company's cost of long-term debt by 38 basis points from 5.25 to 4.87  
14 percent; and, the Company's cost of common equity by 239 basis points from  
15 11.50 to 9.11 percent to reflect current market conditions. This reduced the  
16 weighted cost of capital to 6.57 percent versus the 7.75 percent proposed in  
17 the Company's filing.  
18

19 This adjustment will be fully explained in the testimony of RUCO witness  
20 William A Rigsby.

21 ...

22 ...

23 ...

24 ...

**RATE DESIGN**

Q. Have you prepared Schedules presenting your recommended rate designs?

A. Yes, I have. My recommended rate designs are presented on Schedule RLM-17, page 1. I am recommending a rate design that is consistent with RUCO's recommended revenue allocations and requirement.

**PROOF OF RECOMMENDED REVENUE**

Q. Have you prepared a Schedule presenting proof of your recommended revenue?

A. Yes, I have. Proof that my recommended rate designs will produce the projected required revenue as illustrated, is presented on Schedule RLM-18.

Q. Have you prepared a Schedule presenting the impact of your rate design on the typical residential customer?

A. Yes, I have. Schedule RLM-19 analysis the monthly charges for the typical residential customer under the present rate structure, the Company's proposal and RUCO's recommended rate design.

**CONCLUSIONS AND RECOMMENDATIONS**

Q. Please summarize your conclusions and recommendations.

A. In Arizona, rate case applications are based on accurate, reliable and relevant data generated from a historical test year. Since the Company grossly abused and distorted this pillar of ratemaking principles, RUCO recommends this application be denied and the Company be required to file a

1 new rate case using a historical test year. In lieu of a complete denial of the  
2 Company's filing, RUCO alternatively recommends:

- 3  
4 1. For ratemaking purposes, the proposed revenue requirements should  
5 not exceed:

6	Sun City West Water	\$3,860,482
7	Sun City West Wastewater	\$4,563,072
8	Sun City Water	\$8,156,424
9	Sun City Wastewater	\$4,193,534
10	Tubac Water	\$295,298

- 11  
12 2. For ratemaking purposes, the OCRB and FVRB for test year ending  
13 December 31, 2001 should be:

14	Sun City West Water	\$11,366,817
15	Sun City West Wastewater	\$10,470,538
16	Sun City Water	\$22,304,176
17	Sun City Wastewater	\$8,893,529
18	Tubac Water	\$1,172,012

- 19  
20 3. A fair and reasonable rate of return of FVRB is 6.57 percent.

21  
22 Q. Does this conclude your direct testimony?

23 A. Yes, it does.

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	2	REVENUE REQUIREMENT
RLM-2	1	FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1 TO 12	TEST YEAR PLANT SCHEDULES
RLM-5	1	POST-TEST YEAR 2001 PLANT
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - CITIZENS SALARIES AND WAGES
RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - AZ-AM SERVICE COMPANY ALLOCATIONS
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - TEST YEAR DEPRECIATION EXPENSE
RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7 - RATE CASE EXPENSE
RLM-14	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
RLM-15	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
RLM-16	1	COST OF CAPITAL
RLM-17	1 TO 2	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-18	1	PROOF OF RECOMMENDED REVENUE
RLM-19	1	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJ'MENT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 16,407,508	\$ 3,575,535	\$ 19,983,043	\$ 11,366,817
2	Adjusted Operating Income (Loss)	\$ 361,287		\$ 361,287	\$ 452,321
3	Current Rate Of Return (L2 / L1)	2.20%		1.81%	3.98%
4	Required Operating Income (L5 X L1)	\$ 1,271,506		\$ 1,548,686	\$ 746,868
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 910,219		\$ 1,187,399	\$ 294,546
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	<b>\$ 1,482,414</b>		<b>\$ 1,933,798</b>	<b>\$ 479,708</b>
9	Adjusted Test Year Revenue	\$ 3,380,774		\$ 3,380,774	\$ 3,380,774
10	Proposed Annual Revenue (L8 + L9)	\$ 4,863,188		\$ 5,314,572	\$ 3,860,482
11	Required Percentage Increase In Revenue (L8 / L9)	43.85%		57.20%	14.19%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedule RLM-2

Column (C): Recalculated After Adjusting To OCRB

Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. RLM-1, Col. (D), L4)	\$ 746,868			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. RLM-1, Col. (D), L2)	452,321			
13	Required Increase In Operating Income (L11 - L12)		\$ 294,546		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 261,090			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	75,928			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 185,162		
17	Total Required Increase In Revenue (L13 + L16)		\$ 479,708		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (D), L10)			\$ 3,860,482	
19	Less: Opr'g Exp. Excl. Inc. Tax (RLM-6, Col. (E), L25 - L23)			2,852,524	
20	Less: Synchronized Interest (Col. (C), L37)			331,538	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 676,419	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 47,133
24	Fed. Taxable Income (L21 - L23)			\$ 629,287	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			100,057	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 213,957
31	Combined Federal And State Income Tax (L23 + L30)				\$ 261,090
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L23)				\$ 75,928
33	Adjustment (L31 - L32) (See RLM-6, Col. (D), L23)				\$ 185,162
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-1, Pg 2, Col. (E), L16)			\$ 11,366,817	
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)			2.92%	
37	Synchronized Interest (L35 X L36)			\$ 331,538	

**FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJM'TS TO OCRB	(C) RUCO ADJUSTED TO OCRB	(D) RUCO OCRB ADJM'TS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 43,820,833	\$ (12,667,454)	\$ 31,153,379	\$ (186,187)	\$ 30,967,192
	Less:					
2	Accumulated Depreciation	8,953,449	(2,742,425)	6,211,024	265,393	6,476,417
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 34,867,384</u>	<u>\$ (9,925,029)</u>	<u>\$ 24,942,355</u>	<u>\$ (451,580)</u>	<u>\$ 24,490,775</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 17,092,013	\$ (4,940,853)	\$ 12,151,160	\$ 0	\$ 12,151,160
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,366,637	\$ (395,059)	\$ 971,578	\$ 0	\$ 971,578
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,366,637</u>	<u>\$ (395,059)</u>	<u>\$ 971,578</u>	<u>\$ 0</u>	<u>\$ 971,578</u>
8	Customer Meter Deposits	\$ 1,225	\$ 0	\$ 1,225	\$ 0	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	8,164,652	8,164,652	(8,164,652)	0
15	Adjustment Due To Rounding	(1)	-	(1)	-	5
16	<b>TOTAL RATE BASE</b>	<u>\$ 16,407,508</u>	<u>\$ 3,575,535</u>	<u>\$ 19,983,043</u>	<u>\$ (8,616,232)</u>	<u>\$ 11,366,817</u>

References:

Column (A): Company Schedule B-1  
Column (B): Testimony, RLM  
Column (C): Column (A) + Column (B)  
Column (D): Schedule RLM-3  
Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJM'T # 1	(C) RUCO ADJM'T # 2	(D) RUCO ADJM'T # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 31,153,379	\$ (24,607)	\$ (161,580)	\$ 0	\$ 30,967,192
	Less:					
2	Accumulated Depreciation	6,211,024	251,494	13,899	-	6,476,417
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 24,942,355</u>	<u>\$ (276,101)</u>	<u>\$ (175,479)</u>	<u>\$ 0</u>	<u>\$ 24,490,775</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 12,151,160	\$ 0	\$ 0	\$ 0	\$ 12,151,160
5	Contribution In Aid Of Const. ("CIAC")	\$ 971,578	\$ 0	\$ 0	\$ 0	\$ 971,578
6	Less: Accumulated Amortization					-
7	NET CIAC (L4 - L5)	<u>\$ 971,578</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 971,578</u>
8	Customer Meter Deposits	\$ 1,225	\$ 0	\$ 0	\$ 0	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	\$ 0
10	Investment Tax Credits	-	-	-	-	\$ 0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	8,164,652	-	-	(8,164,652)	0
15	Adjustment Due To Rounding	(1)	-	-	-	5
16	<b>TOTAL RATE BASE</b>	<u>\$ 19,983,043</u>	<u>\$ (276,101)</u>	<u>\$ (175,479)</u>	<u>\$ (8,164,652)</u>	<u>\$ 11,366,817</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)  
Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-4, Page 12, Col (E) & (F), L 48)  
Column (C): Adjustment To Post Test Year Plant And Accumulated Depreciation (See RLM-5, Page 1, Col (E) & (F), L 50)  
Column (D): Adjustment To Citizens Acquisition Adjustment (See Testimony, RLM)  
Column (E): Sum Of Columns (A) Thru (D)

TEST YEAR PLANT SCHEDULES  
COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1995 TOTAL PLANT	(C) ADJUSTMENT TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ACTUAL 03/31/95 PRIOR T. Y. TOTAL PLANT
		INTANGIBLE				
1	301.00	Organization	0.0009	\$ 20,086	\$ (12)	\$ 20,074
2	302.00	Franchises	0.0001	1,676	(1)	1,675
3	303.00	Miscellaneous Intangibles	0.0000	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 21,762	\$ (13)	\$ 21,749
		SOURCE OF SUPPLY				
5	310.00	Land And Land Rights	0.0000	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	0.0121	285,295	(173)	285,122
7	312.00	Collecting And Impounding Res.	0.0000	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	0
9	314.00	Wells And Springs	0.0294	692,944	(420)	692,524
10		SUBTOTAL SUPPLY		\$ 989,890	\$ (593)	\$ 989,297
		PUMPING				
11	320.00	Land And Land Rights	0.0000	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	0.0097	228,397	(138)	228,259
13	323.00	Other Power Production	0.0000	-	-	0
14	325.00	Electric Pumping Equipment	0.1478	3,485,513	(2,113)	3,483,400
15	326.00	Diesel Pumping Equipment	0.0000	913	(1)	912
16	328.10	Gas Engine Pumping Equipment	0.0000	429	(0)	429
17		SUBTOTAL PUMPING		\$ 3,760,209	\$ (2,252)	\$ 3,757,957
		WATER TREATMENT				
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0008	20,012	(365)	19,647
20	332.00	Water Treatment Equipment	0.0051	119,409	(2,176)	117,233
21		SUBTOTAL TREATMENT		\$ 139,421	\$ (2,540)	\$ 136,881
		TRANSMISSION & DISTRIBUTION				
22	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.0000	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0271	638,531	(387)	638,144
25	343.00	Trans. And Dist. Mains	0.4287	10,110,289	(6,128)	10,104,161
26	344.00	Fire Mains	0.0000	169	(0)	169
27	345.00	Services	0.2153	5,076,981	(3,077)	5,073,904
28	346.00	Meters	0.0581	1,370,167	(830)	1,369,337
29	348.00	Hydrants	0.0603	1,422,680	(862)	1,421,818
30	349.00	Other Trans. And Dist.	0.0000	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 18,618,817	\$ (11,285)	\$ 18,607,533
		GENERAL				
32	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	0.0000	17,268	-	17,268
34	391.00	Office Furniture And Equipment	0.0000	94,425	-	94,425
35	391.10	Computer Equipment	0.0000	-	-	0
36	392.00	Transportation Equipment	0.0000	265,428	-	265,428
37	393.00	Stores Equipment	0.0000	487	-	487
38	394.00	Tools, Shop And Garage	0.0000	23,426	-	23,426
39	395.00	Laboratory Equipment	0.0000	4,359	-	4,359
40	396.00	Power Operated Equipment	0.0000	24,055	-	24,055
41	397.00	Communication Equipment	0.0000	32,563	-	32,563
42	398.00	Miscellaneous Equipment	0.0000	24,607	-	24,607
43		SUBTOTAL GENERAL		\$ 486,618	\$ 0	\$ 486,618
44		TOTAL WATER PLANT		\$ 24,016,717	\$ (16,683)	\$ 24,000,034
45		AFUDC ADJUSTMENT 3/95		\$ (431,998)	\$ 431,998	\$ 0
46		Adjustment Due To Rounding		-	-	0
47		ADJUSTED WATER PLANT		\$ 23,584,719	\$ 415,315	\$ 24,000,034

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L47) (Excluding General Plant)

Column (B): Company Schedule B-2, Page 6a

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of (\$16,683) As Per Prior Application Schedule B-2

Column (D): Columns (B) + (C). Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
COMPANY'S PRIOR FILING VERSUS TOTAL PLANT ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) ACTUAL 03/31/1995 PRIOR T. Y. TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(E) ADJMT # 3 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(F) ACC APPR'D ADJUSTED PRIOR T. Y. TOTAL PLANT
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 20,074	\$ 0	\$ 0	\$ 0	\$ 20,074
2	302.00	Franchises	0.0000	1,675	-	-	-	1,675
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 21,749	\$ 0	\$ 0	\$ 0	\$ 21,749
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 11,651	\$ 0	\$ 0	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	0.0119	285,122	(5,352)	-	-	279,770
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.0289	692,524	(13,000)	-	-	679,524
10		SUBTOTAL SUPPLY		\$ 989,297	\$ (18,352)	\$ 0	\$ 0	\$ 970,945
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 44,957	\$ 0	\$ 0	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	0.0095	228,259	(4,285)	-	-	223,974
13	323.00	Other Power Production	0.0000	-	-	-	-	0
14	325.00	Electric Pumping Equipment	0.1451	3,483,400	(65,390)	-	-	3,418,011
15	326.00	Diesel Pumping Equipment	0.0000	912	(17)	-	-	895
16	328.10	Gas Engine Pumping Equipment	0.0000	429	(8)	-	-	421
17		SUBTOTAL PUMPING		\$ 3,757,957	\$ (69,700)	\$ 0	\$ 0	\$ 3,688,257
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0008	19,647	(369)	-	-	19,279
20	332.00	Water Treatment Equipment	0.0049	117,233	(2,201)	-	-	115,033
21		SUBTOTAL TREATMENT		136,881	\$ (2,570)	\$ 0	\$ 0	\$ 134,311
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0000	0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.0000	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0266	638,144	(11,979)	-	-	626,165
25	343.00	Trans. And Dist. Mains	0.4210	10,104,161	(189,674)	-	-	9,914,487
26	344.00	Fire Mains	0.0000	169	(3)	-	-	166
27	345.00	Services	0.2114	5,073,904	(95,247)	-	-	4,978,657
28	346.00	Meters	0.0571	1,369,337	(25,705)	-	-	1,343,632
29	348.00	Hydrants	0.0592	1,421,818	(26,690)	-	-	1,395,128
30	349.00	Other Trans. And Dist.	0.0000	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 18,607,533	\$ (349,298)	\$ 0	\$ 0	\$ 18,258,235
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	0.0000	17,268	-	-	-	17,268
34	391.00	Office Furniture And Equipment	0.0000	94,425	-	-	-	94,425
35	391.10	Computer Equipment	0.0000	-	-	-	-	0
36	392.00	Transportation Equipment	0.0000	265,428	-	-	-	265,428
37	393.00	Stores Equipment	0.0000	487	-	-	-	487
38	394.00	Tools, Shop And Garage	0.0000	23,426	-	-	-	23,426
39	395.00	Laboratory Equipment	0.0000	4,359	-	-	-	4,359
40	396.00	Power Operated Equipment	0.0000	24,055	-	-	-	24,055
41	397.00	Communication Equipment	0.0000	32,563	-	-	-	32,563
42	398.00	Miscellaneous Equipment	0.0000	24,807	-	-	-	24,807
43		SUBTOTAL GENERAL		\$ 486,618	\$ 0	\$ 0	\$ 0	\$ 486,618
44		TOTAL WATER PLANT		\$ 24,000,034	\$ (439,920)	\$ 0	\$ 0	\$ 23,560,114
45		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		Adjustment Due To Rounding		-	-	-	-	0
47		ADJUSTED WATER PLANT		\$ 24,000,034	\$ (439,920)	\$ 0	\$ 0	\$ 23,560,114

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L47) (Excluding General Plant)  
Column (B): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (C): Commission Approved Adjustment Decision No. 60172, Exhibit A Per AR-13  
Column (D): Intentionally Left Blank  
Column (E): Intentionally Left Blank  
Column (F): Sum Of Cols. (B) Thru (E). Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

**TEST YEAR PLANT SCHEDULES CONT'D**  
**COMPANY'S PRIOR FILING VERSUS ACCUMULATED DEPRECIATION ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) PREV. APPL'N CO. AS FILED 12/31/1994 ACC. DEP.	(C) ADJM'T NO. 1 TO 12/31/94 ACC. DEP.	(D) ACTUAL 03/31/1995 PRIOR T. Y. ACC. DEP.	(E) ADJM'T NO. 2 TO 03/31/95 PRIOR T. Y. ACC. DEP.	(F) ACC APPR'D ADJUSTED PRIOR T. Y. ACC. DEP.
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0119	46,816	1,616	48,432	295	48,727
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.0266	104,413	3,605	108,018	658	108,676
10		SUBTOTAL SUPPLY		\$ 151,229	\$ 5,221	\$ 156,450	\$ 953	\$ 157,403
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	321.00	Structures And Improvements	0.0117	46,016	1,589	47,605	290	47,895
13	323.00	Other Power Production	0.0000	-	-	-	-	0
14	325.00	Electric Pumping Equipment	0.2561	1,005,340	34,706	1,040,046	6,336	1,046,382
15	326.00	Diesel Pumping Equipment	0.0001	264	9	273	2	275
16	328.10	Gas Engine Pumping Equipment	0.0000	7	-	7	-	7
17		SUBTOTAL PUMPING		\$ 1,051,627	\$ 36,304	\$ 1,087,931	\$ 6,627	\$ 1,094,558
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0006	2,243	77	2,320	14	2,335
20	332.00	Water Treatment Equipment	0.0062	24,213	836	25,049	153	25,201
21		SUBTOTAL TREATMENT		\$ 26,456	\$ 913	\$ 27,369	\$ 167	\$ 27,536
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.0000	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0200	78,625	2,714	81,339	495	81,835
25	343.00	Trans. And Dist. Mains	0.3485	1,388,224	47,234	1,415,458	8,622	1,424,080
26	344.00	Fire Mains	0.0000	13	-	13	-	13
27	345.00	Services	0.1738	682,456	23,560	706,016	4,301	710,317
28	346.00	Meters	0.0544	213,554	7,372	220,926	1,346	222,272
29	348.00	Hydrants	0.0581	227,945	7,869	235,814	1,436	237,251
30	349.00	Other Trans. And Dist.	0.0000	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 2,570,817	\$ 88,749	\$ 2,659,566	\$ 16,201	\$ 2,675,767
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	0.0010	4,024	139	4,163	25	4,188
34	391.00	Office Furniture And Equipment	0.0068	26,509	915	27,424	167	27,591
35	391.10	Computer Equipment	0.0000	-	-	-	-	0
36	392.00	Transportation Equipment	0.0154	60,604	2,092	62,696	382	63,078
37	393.00	Stores Equipment	0.0001	222	8	230	1	231
38	394.00	Tools, Shop And Garage	0.0010	4,080	141	4,221	26	4,247
39	395.00	Laboratory Equipment	0.0002	865	30	895	5	900
40	396.00	Power Operated Equipment	0.0006	2,286	79	2,365	14	2,379
41	397.00	Communication Equipment	0.0050	19,496	673	20,169	123	20,292
42	398.00	Miscellaneous Equipment	0.0019	7,426	256	7,682	47	7,729
43		SUBTOTAL GENERAL		\$ 125,512	\$ 4,333	\$ 129,845	\$ 791	\$ 130,636
44		<b>TOTAL WATER PLANT ACC. DEP.</b>		<b>\$ 3,925,641</b>	<b>\$ 135,520</b>	<b>\$ 4,061,161</b>	<b>\$ 24,739</b>	<b>\$ 4,085,900</b>
45		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		Adjustment Due To Rounding		-	-	-	-	0
47		<b>ADJUSTED WATER PLANT ACC. DEP.</b>		<b>\$ 3,925,641</b>	<b>\$ 135,520</b>	<b>\$ 4,061,161</b>	<b>\$ 24,739</b>	<b>\$ 4,085,900</b>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Accumulated Depreciation Value (Col. (B), L47)

Column (B): Company Prior Application Exhibit RJM-4c

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$135,520

Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

Column (E): Commission Approved Adjustment Decision No. 60172, Exhibit A Per Accumulated Depreciation Adjustment

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
PRIOR TEST YEAR ENDED MARCH 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
		INTANGIBLE						
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	0.00%	-	-	1,675	-	1,675
3	303.00	Miscellaneous Intangibles	0.00%	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 21,749	\$ 0	\$ 21,749
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	2.50%	-	-	279,770	48,727	231,043
7	312.00	Collecting And Impounding Reservoirs	0.00%	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.00%	-	-	-	-	0
9	314.00	Wells And Springs	2.52%	-	-	679,524	108,676	570,848
10		SUBTOTAL SOURCE OF SUPPLY		\$ 0	\$ 0	\$ 970,945	\$ 157,403	\$ 813,542
		PUMPING						
11	320.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	1.67%	-	-	223,974	47,895	176,079
13	323.00	Other Power Production	0.00%	-	-	-	-	0
14	325.00	Electric Pumping Equipment	4.42%	-	-	3,418,011	1,046,382	2,371,629
15	326.00	Diesel Pumping Equipment	4.42%	-	-	895	275	621
16	328.10	Gas Engine Pumping Equipment	4.42%	-	-	421	7	414
17		SUBTOTAL PUMPING		\$ -	\$ 0	\$ 3,688,257	\$ 1,094,558	\$ 2,593,699
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	1.67%	-	-	19,279	2,335	16,944
20	332.00	Water Treatment Equipment	4.00%	-	-	115,033	25,201	89,831
21		SUBTOTAL WATER TREATMENT		\$ 0	\$ 0	\$ 134,311	\$ 27,536	\$ 106,775
		TRANSMISSION AND DISTRIBUTION						
22	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.00%	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	1.67%	-	-	626,165	81,835	544,331
25	343.00	Transmission And Distribution Mains	1.53%	-	-	9,914,487	1,424,080	8,490,407
26	344.00	Fire Mains	1.53%	-	-	166	13	153
27	345.00	Services	2.48%	-	-	4,978,657	710,317	4,268,341
28	346.00	Meters	2.51%	-	-	1,343,632	222,272	1,121,359
29	348.00	Hydrants	2.00%	-	-	1,395,128	237,251	1,157,877
30	349.00	Other Transmission And Distribution	0.00%	-	-	-	-	0
31		SUBTOTAL TRANS. AND DIST.		\$ 0	\$ 0	\$ 18,258,235	\$ 2,675,767	\$ 15,582,467
		GENERAL						
32	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	1.68%	-	-	17,268	4,188	13,080
34	391.00	Office Furniture And Equipment	4.55%	-	-	94,425	27,591	66,834
35	391.10	Computer Equipment	4.55%	-	-	-	-	0
36	392.00	Transportation Equipment	25.00%	-	-	265,428	63,078	202,350
37	393.00	Stores Equipment	3.92%	-	-	487	231	256
38	394.00	Tools, Shop And Garage	4.14%	-	-	23,426	4,247	19,179
39	395.00	Laboratory Equipment	3.71%	-	-	4,359	900	3,459
40	396.00	Power Operated Equipment	5.14%	-	-	24,055	2,379	21,676
41	397.00	Communication Equipment	10.28%	-	-	32,563	20,292	12,271
42	398.00	Miscellaneous Equipment	4.98%	-	-	24,607	7,729	16,877
43		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 486,618	\$ 130,636	\$ 355,982
44		AFUDC ADJUSTMENT 3/95	3.84%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding		-	-	-	-	0
46		TOTAL WATER PLANT		\$ 0	\$ 0	\$ 23,560,114	\$ 4,085,900	\$ 19,474,214

References:

Column (A): Prior Decision No. 60172 And Company Schedule C-2, Page 6  
Column (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule RLM-4, Page 2  
Column (E): Schedule RLM-4, Page 3  
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES CONT'D  
FROM MARCH 31, 1995 TO DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,675	-	1,675
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,749	\$ 0	\$ 21,749
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	4,761	-	-	5,290	284,531	54,018	230,513
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	12,843	679,524	121,519	558,005
10		SUBTOTAL SUPPLY	\$ 4,761	\$ 0	\$ 0	\$ 18,133	\$ 975,706	\$ 175,536	\$ 800,170
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	-	-	2,805	223,974	50,700	173,274
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	230,411	20,284	-	117,462	3,628,138	1,143,560	2,484,577
15	326.00	Diesel Pumping Equipment	-	-	-	30	895	304	591
16	328.10	Gas Engine Pumping Equipment	683	-	-	25	1,104	32	1,071
17		SUBTOTAL PUMPING	\$ 231,094	\$ 20,284	\$ 0	\$ 120,323	\$ 3,899,067	\$ 1,194,597	\$ 2,704,470
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	241	19,279	2,576	16,703
20	332.00	Water Treatment Equipment	6,995	-	-	3,556	122,028	28,757	93,270
21		SUBTOTAL TREATMENT	\$ 6,995	\$ 0	\$ 0	\$ 3,797	\$ 141,306	\$ 31,333	\$ 109,973
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	7,843	626,165	89,678	536,488
25	343.00	Trans. And Dist. Mains	499,707	385	-	116,638	10,413,809	1,540,333	8,873,476
26	344.00	Fire Mains	-	-	-	2	166	15	151
27	345.00	Services	1,134,820	437,114	-	107,222	5,676,363	380,425	5,295,939
28	346.00	Meters	39,070	-	-	25,662	1,382,702	247,934	1,134,768
29	348.00	Hydrants	70,748	-	-	21,458	1,465,876	258,708	1,207,167
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 1,744,345	\$ 437,499	\$ 0	\$ 278,824	\$ 19,565,081	\$ 2,517,092	\$ 17,047,989
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	218	17,268	4,406	12,863
34	391.00	Office Furniture And Equipment	8,136	-	-	3,357	102,561	30,949	71,613
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	38,702	13,451	-	54,657	290,679	104,284	186,395
37	393.00	Stores Equipment	-	-	-	14	487	245	242
38	394.00	Tools, Shop And Garage	-	-	-	727	23,426	4,973	18,453
39	395.00	Laboratory Equipment	-	-	-	121	4,359	1,022	3,337
40	396.00	Power Operated Equipment	1,216	-	-	951	25,271	3,331	21,940
41	397.00	Communication Equipment	-	-	-	2,510	32,563	22,802	9,761
42	398.00	Miscellaneous Equipment	-	-	-	919	24,607	8,648	15,958
43		SUBTOTAL GENERAL	\$ 48,054	\$ 13,451	\$ 0	\$ 63,474	\$ 521,221	\$ 180,659	\$ 340,562
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	2	-	-	-	(2)	-	0
46		TOTAL WATER PLANT	\$ 2,035,251	\$ 471,234	\$ 0	\$ 484,551	\$ 25,124,128	\$ 4,099,218	\$ 21,024,912

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1 22

Column (C): Intentionally Left Blank

Column (D): 0.75 X [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,675	-	1,675
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,749	\$ 0	\$ 21,749
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	57,846	2,577	-	7,869	339,800	59,309	280,491
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	618,438	-	-	24,916	1,297,962	146,435	1,151,527
10		SUBTOTAL SUPPLY	\$ 676,284	\$ 2,577	\$ 0	\$ 32,785	\$ 1,649,413	\$ 205,744	\$ 1,443,669
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	5,260	-	-	3,784	229,234	54,484	174,750
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	526,201	12,790	-	172,275	4,141,549	1,303,046	2,838,503
15	326.00	Diesel Pumping Equipment	4,205	-	-	133	5,100	437	4,663
16	328.10	Gas Engine Pumping Equipment	693	-	-	64	1,797	96	1,700
17		SUBTOTAL PUMPING	\$ 536,359	\$ 12,790	\$ 0	\$ 176,256	\$ 4,422,635	\$ 1,358,063	\$ 3,064,573
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	18,569	-	-	477	37,848	3,053	34,795
20	332.00	Water Treatment Equipment	41,380	332	-	5,715	163,076	34,141	128,935
21		SUBTOTAL TREATMENT	\$ 59,949	\$ 332	\$ 0	\$ 6,192	\$ 200,923	\$ 37,194	\$ 163,730
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	10,457	626,165	100,134	526,031
25	343.00	Trans. And Dist. Mains	399,343	-	-	162,386	10,813,152	1,702,720	9,110,433
26	344.00	Fire Mains	-	-	-	3	166	17	148
27	345.00	Services	1,081,826	20,190	-	154,439	6,737,999	514,673	6,223,326
28	346.00	Meters	193,426	1,022	-	37,146	1,575,106	284,058	1,291,048
29	348.00	Hydrants	74,712	-	-	30,065	1,540,588	288,773	1,251,815
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 1,749,307	\$ 21,212	\$ 0	\$ 394,495	\$ 21,293,176	\$ 2,890,375	\$ 18,402,800
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	290	17,268	4,696	12,572
34	391.00	Office Furniture And Equipment	-	-	-	4,661	102,561	35,610	66,951
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	25,898	1,109	-	76,045	315,468	179,220	136,248
37	393.00	Stores Equipment	-	-	-	19	487	264	223
38	394.00	Tools, Shop And Garage	145	-	-	972	23,571	5,945	17,626
39	395.00	Laboratory Equipment	-	-	-	162	4,359	1,183	3,176
40	396.00	Power Operated Equipment	-	-	-	1,300	25,271	4,630	20,641
41	397.00	Communication Equipment	-	-	-	3,347	32,563	26,149	6,414
42	398.00	Miscellaneous Equipment	-	-	-	1,225	24,607	9,874	14,733
43		SUBTOTAL GENERAL	\$ 26,043	\$ 1,109	\$ 0	\$ 88,021	\$ 546,155	\$ 267,572	\$ 278,583
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		Adjustment Due To Rounding	(1)	-	-	-	(3)	-	0
46		TOTAL WATER PLANT	\$ 3,047,941	\$ 38,020	\$ 0	\$ 697,750	\$ 28,134,048	\$ 4,758,948	\$ 23,375,104

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	88	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 88	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	-	1,790	-	8,517	338,010	66,036	271,973
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	16,190	-	32,913	1,281,772	163,158	1,118,615
10		SUBTOTAL SUPPLY	\$ 0	\$ 17,980	\$ 0	\$ 41,430	\$ 1,631,433	\$ 229,194	\$ 1,402,239
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	4,456	-	100	224,778	50,129	174,649
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	281,494	12,121	-	14,103	4,410,922	1,305,028	3,105,893
15	326.00	Diesel Pumping Equipment	-	68	-	7	5,032	376	4,656
16	328.10	Gas Engine Pumping Equipment	-	46	-	4	1,750	54	1,696
17		SUBTOTAL PUMPING	\$ 281,494	\$ 16,692	\$ 0	\$ 14,215	\$ 4,687,437	\$ 1,355,586	\$ 3,331,852
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	249	-	10	37,599	2,814	34,784
20	332.00	Water Treatment Equipment	19,664	44,556	-	1,513	138,184	(8,902)	147,086
21		SUBTOTAL TREATMENT	\$ 19,664	\$ 44,805	\$ 0	\$ 1,523	\$ 175,782	\$ (6,088)	\$ 181,870
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	16,099	-	309	610,066	84,345	525,722
25	343.00	Trans. And Dist. Mains	123,131	-	-	3,426	10,936,283	1,706,146	9,230,137
26	344.00	Fire Mains	-	-	-	0	166	17	148
27	345.00	Services	87,762	245,500	-	7,963	6,580,261	277,136	6,303,125
28	346.00	Meters	115,320	-	-	2,380	1,690,426	286,437	1,403,989
29	348.00	Hydrants	8,837	-	-	690	1,549,425	289,462	1,259,963
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 335,051	\$ 261,599	\$ 0	\$ 14,767	\$ 21,366,628	\$ 2,643,544	\$ 18,723,084
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	5	17,268	4,701	12,567
34	391.00	Office Furniture And Equipment	-	79,933	-	2,028	22,628	(42,294)	64,923
35	391.10	Computer Equipment	68,382	-	-	1,554	68,382	1,554	66,828
36	392.00	Transportation Equipment	21,261	-	-	21,669	336,729	200,889	135,840
37	393.00	Stores Equipment	-	-	-	1	487	265	222
38	394.00	Tools, Shop And Garage	-	5,437	-	153	18,134	660	17,474
39	395.00	Laboratory Equipment	-	605	-	17	3,754	596	3,158
40	396.00	Power Operated Equipment	-	1,089	-	95	24,182	3,636	20,546
41	397.00	Communication Equipment	-	1,783	-	436	30,780	24,801	5,978
42	398.00	Miscellaneous Equipment	-	1,238	-	92	23,369	8,727	14,641
43		SUBTOTAL GENERAL	\$ 89,643	\$ 90,085	\$ 0	\$ 26,049	\$ 545,713	\$ 203,536	\$ 342,177
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		Adjustment Due To Rounding	-	-	-	-	(4)	-	(1)
46		TOTAL WATER PLANT	\$ 725,852	\$ 431,249	\$ 0	\$ 97,985	\$ 28,428,650	\$ 4,425,771	\$ 24,002,883

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	855	1,109	-	8,475	337,756	73,402	264,354
7	312.00	Collecting And Impounding Res.	924	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	15,676	-	-	32,498	1,297,449	195,656	1,101,793
10		SUBTOTAL SUPPLY	\$ 17,456	\$ 1,109	\$ 0	\$ 40,973	\$ 1,647,780	\$ 269,058	\$ 1,378,722
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	2,239	-	-	3,772	227,017	53,901	173,116
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	206,383	68,196	-	201,031	4,549,109	1,437,863	3,111,246
15	326.00	Diesel Pumping Equipment	-	546	-	234	4,486	64	4,422
16	328.10	Gas Engine Pumping Equipment	5	-	-	77	1,755	131	1,624
17		SUBTOTAL PUMPING	\$ 208,627	\$ 68,742	\$ 0	\$ 205,115	\$ 4,827,323	\$ 1,491,960	\$ 3,335,364
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	26	-	-	628	37,625	3,442	34,182
20	332.00	Water Treatment Equipment	24,384	23,443	-	6,484	139,125	(25,861)	164,986
21		SUBTOTAL TREATMENT	\$ 24,410	\$ 23,443	\$ 0	\$ 7,112	\$ 176,749	\$ (22,419)	\$ 199,168
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	1,711	-	-	10,202	611,777	94,547	517,230
25	343.00	Trans. And Dist. Mains	14,938	11,447	-	167,527	10,939,774	1,862,226	9,077,548
26	344.00	Fire Mains	-	-	-	3	166	20	146
27	345.00	Services	-	413,917	-	168,323	6,166,344	31,542	6,134,802
28	346.00	Meters	-	120,074	-	43,937	1,570,352	210,300	1,360,052
29	348.00	Hydrants	7,783	-	-	31,066	1,557,208	320,529	1,236,679
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 24,432	\$ 545,438	\$ 0	\$ 421,058	\$ 20,845,622	\$ 2,519,164	\$ 18,326,458
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	290	17,268	4,991	12,277
34	391.00	Office Furniture And Equipment	5,510	-	-	1,154	28,138	(41,141)	69,279
35	391.10	Computer Equipment	-	-	-	3,108	68,382	4,662	63,720
36	392.00	Transportation Equipment	1,621	30,934	-	88,251	307,416	258,206	49,210
37	393.00	Stores Equipment	-	-	-	19	487	284	203
38	394.00	Tools, Shop And Garage	1,508	-	-	781	19,642	1,441	18,201
39	395.00	Laboratory Equipment	12	-	-	139	3,766	735	3,030
40	396.00	Power Operated Equipment	116	-	-	1,247	24,298	4,883	19,415
41	397.00	Communication Equipment	184	-	-	3,173	30,964	27,974	2,989
42	398.00	Miscellaneous Equipment	23,551	-	-	1,750	46,920	10,478	36,442
43		SUBTOTAL GENERAL	\$ 32,502	\$ 30,934	\$ 0	\$ 99,913	\$ 547,281	\$ 272,514	\$ 274,766
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(0)
45		Adjustment Due To Rounding	-	-	-	-	(4)	-	(1)
46		TOTAL WATER PLANT	\$ 307,427	\$ 669,666	\$ 0	\$ 774,171	\$ 28,066,411	\$ 4,530,276	\$ 23,536,139

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	-	-	-	8,444	337,756	81,846	255,910
7	312.00	Collecting And Impounding Res.	-	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	5,270	-	-	32,762	1,302,719	228,418	1,074,301
10		SUBTOTAL SUPPLY	\$ 5,270	\$ 0	\$ 0	\$ 41,206	\$ 1,653,050	\$ 310,264	\$ 1,342,786
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	-	-	3,791	227,017	57,692	169,325
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	82,055	-	-	202,884	4,631,164	1,640,747	2,990,417
15	326.00	Diesel Pumping Equipment	-	-	-	198	4,486	263	4,223
16	328.10	Gas Engine Pumping Equipment	-	-	-	78	1,755	209	1,546
17		SUBTOTAL PUMPING	\$ 82,055	\$ 0	\$ 0	\$ 206,951	\$ 4,909,378	\$ 1,898,911	\$ 3,210,468
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	628	37,625	4,071	33,554
20	332.00	Water Treatment Equipment	2,579	-	-	5,617	141,704	(20,245)	161,949
21		SUBTOTAL TREATMENT	\$ 2,579	\$ 0	\$ 0	\$ 6,245	\$ 179,328	\$ (16,174)	\$ 195,503
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	10,217	611,777	104,764	507,014
25	343.00	Trans. And Dist. Mains	159,557	-	-	168,599	11,099,331	2,030,825	9,068,506
26	344.00	Fire Mains	-	-	-	3	166	23	143
27	345.00	Services	404,856	-	-	157,946	6,571,200	189,487	6,381,713
28	346.00	Meters	46,451	-	-	39,999	1,616,803	250,299	1,366,504
29	348.00	Hydrants	33,455	-	-	31,479	1,590,663	352,007	1,238,656
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 644,319	\$ 0	\$ 0	\$ 408,241	\$ 21,489,941	\$ 2,927,405	\$ 18,562,535
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	290	17,268	5,282	11,987
34	391.00	Office Furniture And Equipment	-	-	-	1,279	28,138	(39,862)	68,000
35	391.10	Computer Equipment	-	-	-	3,108	68,382	7,770	60,612
36	392.00	Transportation Equipment	79,064	-	-	86,736	386,480	344,942	41,538
37	393.00	Stores Equipment	-	-	-	19	487	303	184
38	394.00	Tools, Shop And Garage	-	-	-	812	19,642	2,254	17,388
39	395.00	Laboratory Equipment	-	-	-	140	3,766	875	2,891
40	396.00	Power Operated Equipment	-	-	-	1,250	24,298	6,133	18,165
41	397.00	Communication Equipment	-	-	-	3,182	30,964	31,156	(193)
42	398.00	Miscellaneous Equipment	-	-	-	2,337	46,920	12,814	34,105
43		SUBTOTAL GENERAL	\$ 79,064	\$ 0	\$ 0	\$ 99,153	\$ 626,345	\$ 371,668	\$ 254,677
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		Adjustment Due To Rounding	-	-	-	-	(3)	-	(1)
46		TOTAL WATER PLANT	\$ 813,287	\$ 0	\$ 0	\$ 761,797	\$ 28,879,699	\$ 5,292,073	\$ 23,587,629

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 8, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 8, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	-	355	-	8,448	337,401	89,939	247,461
7	312.00	Collecting And Impounding Res.	-	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	10,011	-	32,955	1,292,708	251,361	1,041,346
10		SUBTOTAL SUPPLY	\$ 0	\$ 10,366	\$ 0	\$ 41,403	\$ 1,642,684	\$ 341,301	\$ 1,301,383
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	-	-	3,791	227,017	61,483	165,534
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	181,407	99,267	-	210,900	4,713,304	1,752,380	2,960,923
15	326.00	Diesel Pumping Equipment	-	-	-	198	4,486	461	4,025
16	328.10	Gas Engine Pumping Equipment	-	-	-	78	1,755	286	1,469
17		SUBTOTAL PUMPING	\$ 181,407	\$ 99,267	\$ 0	\$ 214,967	\$ 4,991,518	\$ 1,814,611	\$ 3,176,908
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	1	-	628	37,624	4,698	32,926
20	332.00	Water Treatment Equipment	5,236	4,515	-	5,863	142,425	(18,331)	160,755
21		SUBTOTAL TREATMENT	\$ 5,236	\$ 4,516	\$ 0	\$ 6,492	\$ 180,048	\$ (13,633)	\$ 193,681
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	10,217	611,777	114,980	496,797
25	343.00	Trans. And Dist. Mains	174,639	43	-	171,156	11,273,927	2,201,938	9,071,989
26	344.00	Fire Mains	-	-	-	3	166	25	141
27	345.00	Services	42,146	488,951	-	169,551	6,124,395	317	6,124,078
28	346.00	Meters	23,301	44,623	-	41,434	1,595,481	247,110	1,348,371
29	348.00	Hydrants	31,769	2,626	-	32,157	1,619,806	381,539	1,238,267
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 271,855	\$ 536,243	\$ 0	\$ 424,518	\$ 21,225,553	\$ 2,945,909	\$ 18,279,643
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	290	17,268	5,572	11,697
34	391.00	Office Furniture And Equipment	1,607	-	-	1,315	29,745	(38,546)	68,292
35	391.10	Computer Equipment	51,401	-	-	4,276	119,783	12,047	107,736
36	392.00	Transportation Equipment	93,109	94,856	-	120,115	384,733	370,201	14,532
37	393.00	Stores Equipment	-	-	-	19	487	322	165
38	394.00	Tools, Shop And Garage	-	-	-	812	19,642	3,066	16,576
39	395.00	Laboratory Equipment	-	-	-	140	3,766	1,014	2,751
40	396.00	Power Operated Equipment	-	-	-	1,250	24,298	7,383	16,915
41	397.00	Communication Equipment	3,199	-	-	3,347	34,163	34,503	(341)
42	398.00	Miscellaneous Equipment	-	-	-	2,337	46,920	15,151	31,769
43		SUBTOTAL GENERAL	\$ 149,316	\$ 94,856	\$ 0	\$ 133,901	\$ 680,805	\$ 410,712	\$ 270,092
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		Adjustment Due To Rounding	-	-	-	-	(5)	-	(1)
46		TOTAL WATER PLANT	\$ 607,814	\$ 745,248	\$ 0	\$ 821,281	\$ 28,742,263	\$ 5,498,901	\$ 23,243,367

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	-	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	-	-	-	8,435	337,401	98,375	239,026
7	312.00	Collecting And Impounding Res.	-	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	32,576	1,292,708	283,938	1,008,770
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 41,011	\$ 1,642,684	\$ 382,312	\$ 1,260,372
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	-	-	3,791	227,017	65,275	161,743
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	85,460	5,407	-	210,336	4,793,357	1,957,310	2,836,047
15	326.00	Diesel Pumping Equipment	-	-	-	198	4,486	659	3,827
16	328.10	Gas Engine Pumping Equipment	-	-	-	78	1,755	364	1,391
17		SUBTOTAL PUMPING	\$ 85,460	\$ 5,407	\$ 0	\$ 214,403	\$ 5,071,571	\$ 2,023,607	\$ 3,047,965
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	628	37,624	5,326	32,297
20	332.00	Water Treatment Equipment	2,887	-	-	5,755	145,312	(12,576)	157,888
21		SUBTOTAL TREATMENT	\$ 2,887	\$ 0	\$ 0	\$ 6,383	\$ 182,936	\$ (7,250)	\$ 190,185
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	10,217	611,777	125,197	486,580
25	343.00	Trans. And Dist. Mains	278,123	-	-	174,619	11,552,050	2,376,557	9,175,493
26	344.00	Fire Mains	-	-	-	3	166	28	138
27	345.00	Services	399,449	-	-	156,838	6,523,844	157,155	6,366,689
28	346.00	Meters	56,118	-	-	40,751	1,651,599	287,861	1,363,738
29	348.00	Hydrants	35,538	-	-	32,752	1,655,344	414,290	1,241,054
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 769,228	\$ 0	\$ 0	\$ 415,178	\$ 21,994,781	\$ 3,361,088	\$ 18,633,693
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	-	-	-	290	17,268	5,862	11,406
34	391.00	Office Furniture And Equipment	-	-	-	1,352	29,745	(37,194)	66,940
35	391.10	Computer Equipment	-	19,425	-	5,886	100,358	(1,492)	101,850
36	392.00	Transportation Equipment	54,429	62,106	-	110,749	377,056	418,844	(41,788)
37	393.00	Stores Equipment	-	-	-	19	487	342	145
38	394.00	Tools, Shop And Garage	-	-	-	812	19,642	3,878	15,764
39	395.00	Laboratory Equipment	-	-	-	140	3,766	1,154	2,611
40	396.00	Power Operated Equipment	-	-	-	1,250	24,298	8,632	15,666
41	397.00	Communication Equipment	-	-	-	3,511	34,163	38,014	(3,852)
42	398.00	Miscellaneous Equipment	-	3,049	-	2,413	43,871	14,514	29,356
43		SUBTOTAL GENERAL	\$ 54,429	\$ 84,580	\$ 0	\$ 126,422	\$ 650,654	\$ 452,554	\$ 198,099
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(0)
45		Adjustment Due To Rounding	-	-	-	-	(6)	-	(1)
46		TOTAL WATER PLANT	\$ 912,004	\$ 89,987	\$ 0	\$ 803,398	\$ 29,564,280	\$ 6,212,312	\$ 23,351,973

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 10, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 10, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 10, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA-AMERICAN

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRE-AQUISITION TOTAL PLANT VALUE	(B) ACCUM. DEP.	(C) ADJUSTMENTS TOTAL PLANT VALUE	(D) ACCUM. DEP.	(E) POST-ACQUISITION TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 20,074	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	1,587	-	-	-	1,587	-	1,587
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 21,661	\$ 0	\$ 0	\$ 0	\$ 21,661	\$ 0	\$ 21,661
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 11,651	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures & Improvements	337,401	98,375	-	-	337,401	98,375	239,026
7	312.00	Collecting & Impound Res.	924	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	1,292,708	283,938	-	-	1,292,708	283,938	1,008,770
10		SUBTOTAL SUPPLY	\$ 1,642,684	\$ 382,312	\$ 0	\$ 0	\$ 1,642,684	\$ 382,312	\$ 1,260,372
		PUMPING							
11	320.00	Land And Land Rights	\$ 44,957	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures & Improvements	227,017	65,275	-	-	227,017	65,275	161,743
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	4,793,357	1,957,310	-	-	4,793,357	1,957,310	2,836,047
15	326.00	Diesel Pumping Equipment	4,486	659	-	-	4,486	659	3,827
16	328.10	Gas Engine Pumping Equip.	1,755	364	-	-	1,755	364	1,391
17		SUBTOTAL PUMPING	\$ 5,071,572	\$ 2,023,607	\$ 0	\$ 0	\$ 5,071,571	\$ 2,023,607	\$ 3,047,965
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures & Improvements	37,624	5,326	-	-	37,624	5,326	32,297
20	332.00	Water Treatment Equipment	145,312	(12,576)	-	-	145,312	(12,576)	157,888
21		SUBTOTAL TREATMENT	\$ 182,935	\$ (7,250)	\$ 0	\$ 0	\$ 182,935	\$ (7,250)	\$ 190,185
		TRANS. & DIST.							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures & Improvements	-	-	-	-	-	-	0
24	342.00	Dist., Res., & ST	611,777	125,197	-	-	611,777	125,197	486,580
25	343.00	Trans. And Dist. Mains	11,552,050	2,376,557	-	-	11,552,050	2,376,557	9,175,493
26	344.00	Fire Mains	166	28	-	-	166	28	138
27	345.00	Services	6,523,844	157,155	-	-	6,523,844	157,155	6,366,689
28	346.00	Meters	1,651,599	287,861	-	-	1,651,599	287,861	1,363,738
29	348.00	Hydrants	1,655,344	414,290	-	-	1,655,344	414,290	1,241,054
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUB TRANS. & DIST.	\$ 21,994,781	\$ 3,361,088	\$ 0	\$ 0	\$ 21,994,781	\$ 3,361,088	\$ 18,633,693
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 817	\$ 0	\$ 817	\$ 0	\$ 817
33	390.00	Structures & Improvements	17,268	5,862	543,124	46,169	560,392	52,031	508,361
34	391.00	Office Furniture & Equip.	29,745	(37,194)	137,183	97,514	166,928	60,320	106,608
35	391.10	Computer Equipment	100,358	(1,492)	138,635	(71,243)	238,993	(72,735)	311,728
36	392.00	Transportation Equipment	377,056	418,844	(76,310)	(417,542)	300,746	173,707	127,039
37	393.00	Stores Equipment	487	342	4,320	2,709	4,807	1,302	3,505
38	394.00	Tools, Shop And Garage	19,642	3,878	49,136	(37)	68,778	3,051	65,727
39	395.00	Laboratory Equipment	3,766	1,154	18,021	6,010	21,787	3,841	17,946
40	396.00	Power Operated Equipment	24,298	8,632	(4,165)	47,019	20,133	7,164	12,969
41	397.00	Communication Equipment	34,163	38,014	62,463	(16,521)	96,626	55,651	40,975
42	398.00	Miscellaneous Equipment	43,871	14,514	2,494	291,311	46,365	21,493	24,872
43		SUBTOTAL GENERAL	\$ 650,654	\$ 452,554	\$ 875,718	\$ (14,611)	\$ 1,526,371	\$ 305,825	\$ 1,220,547
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustm't Due To Rounding	-	-	-	-	(4)	-	0
46		TOTAL WATER PLANT	\$ 29,564,286	\$ 6,212,312	\$ 875,718	\$ (14,611)	\$ 30,439,998	\$ 6,065,582	\$ 24,374,422
47		Company As Filed B-2	-	-	-	-	30,464,605	5,814,088	-
48		Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-3, Col (B), Lines 1 & 2)	-	-	-	-	(24,607)	\$ 251,494	-

References:

Column (A): Schedule RLM-4, Page 11, Column (E)

Column (B): Schedule RLM-4, Page 11, Column (F)

Columns (C) (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water Common Plant Allocation As Per Company Schedule B-2, Pg 2

Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3

Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3

Column (G): Column (E) - Column (F)

POST-TEST YEAR 2001 PLANT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOS'G	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,074	\$ 0	\$ 20,074
2	302.00	Franchises	-	78,774	-	-	80,361	-	80,361
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 78,774	\$ 0	\$ 0	\$ 100,435	\$ 0	\$ 100,435
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,651	\$ 0	\$ 11,651
6	311.00	Structures And Improvements	-	-	4,284	-	337,401	102,659	234,742
7	312.00	Collecting And Impounding Res.	-	-	-	-	924	-	924
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	16,462	-	1,292,708	300,400	992,308
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 20,746	\$ 0	\$ 1,642,684	\$ 403,058	\$ 1,239,626
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,957	\$ 0	\$ 44,957
12	321.00	Structures And Improvements	-	-	1,932	-	227,017	67,207	159,811
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	167,104	-	107,380	3,693	4,960,461	2,068,383	2,892,078
15	326.00	Diesel Pumping Equipment	-	-	100	-	4,486	759	3,727
16	328.10	Gas Engine Pumping Equipment	-	-	39	-	1,755	403	1,352
17		SUBTOTAL PUMPING	\$ 167,104	\$ 0	\$ 109,451	\$ 3,693	\$ 5,238,675	\$ 2,136,751	\$ 3,101,925
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	6,456	-	37,624	11,782	25,841
20	332.00	Water Treatment Equipment	463	-	(3,143)	9	145,775	(15,710)	161,484
21		SUBTOTAL TREATMENT	\$ 463	\$ 0	\$ 3,313	\$ 9	\$ 183,398	\$ (3,927)	\$ 187,326
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	145,791	-	5,209	1,217	757,568	131,623	625,945
25	343.00	Trans. And Dist. Mains	12,909	-	89,831	99	11,564,959	2,466,487	9,098,473
26	344.00	Fire Mains	-	-	1	-	166	29	137
27	345.00	Services	-	-	82,081	-	6,523,844	239,236	6,284,608
28	346.00	Meters	-	-	21,051	-	1,651,599	308,912	1,342,687
29	348.00	Hydrants	-	-	16,821	-	1,655,344	431,111	1,224,233
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 158,700	\$ 0	\$ 214,994	\$ 1,316	\$ 22,153,481	\$ 3,577,398	\$ 18,576,083
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 817	\$ 0	\$ 817
33	390.00	Structures And Improvements	23,166	-	144	195	583,558	52,370	531,188
34	391.00	Office Furniture And Equipment	22,137	-	645	503	189,065	61,468	127,597
35	391.10	Computer Equipment	-	-	1,711	-	238,993	(71,024)	310,017
36	392.00	Transportation Equipment	57,511	-	42,174	7,189	358,257	223,070	135,187
37	393.00	Stores Equipment	-	-	10	-	4,807	1,312	3,495
38	394.00	Tools, Shop And Garage	-	-	394	-	68,778	3,445	65,333
39	395.00	Laboratory Equipment	-	-	70	-	21,787	3,911	17,876
40	396.00	Power Operated Equipment	-	-	610	-	20,133	7,774	12,359
41	397.00	Communication Equipment	19,335	-	1,594	994	115,961	58,239	57,722
42	398.00	Miscellaneous Equipment	-	-	1,081	-	46,365	22,574	23,791
43		SUBTOTAL GENERAL	\$ 122,149	\$ 0	\$ 48,433	\$ 8,880	\$ 1,648,520	\$ 363,138	\$ 1,285,383
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		Adjustment Due To Rounding	-	-	(2)	-	-	(1)	(1)
46		TOTAL WATER PLANT	\$ 448,416	\$ 78,774	\$ 396,935	\$ 13,899	\$ 30,967,192	\$ 6,476,417	\$ 24,490,775
47		Company As Filed B-2, Pg 1					31,153,379	6,211,024	
48		Difference In Post Test Year Gross Plant					\$ (186,187)	\$ 265,393	
49		Adjustment To Test Year Gross Plant As Per RLM-4, Page 12, Cols (E) And (F), L 48					(24,607)	251,494	
50		Adjustment To Post Test Year Total Plant And Acc. Dep. (See RLM-3, Col (C), L 1 & L 2)					\$ (161,580)	\$ 13,899	

References:

Column (A): Company's Response To Staff Data Request No. DWC 12-1 To 12-3

Columns (B) (C): Company Schedule B-2, Pages 1 And 8

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 12, Col. (E)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 12, Column (D) + Column (A) + Column (B)

Column (F): Schedule RLM-4, Page 12, Column (F) + Column (C) + Column (D)

Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'TMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Metered Water Revenues	\$ 3,343,134	\$ 0	\$ 3,343,134	\$ 479,708	\$ 3,822,842
2	Unmetered Water Revenues	0	-	-	-	0
3	Other Water Revenues	37,640	-	37,640	-	37,640
4	TOTAL OPERATING REVENUES	<u>\$ 3,380,774</u>	<u>\$ 0</u>	<u>\$ 3,380,774</u>	<u>\$ 479,708</u>	<u>\$ 3,860,482</u>
OPERATING EXPENSES:						
5	Salaries And Wages	\$ 455,889	\$ (183,805)	\$ 272,084	\$ 0	\$ 272,084
6	Purchased Water	0	-	-	-	0
7	Purchased Power	585,941	-	585,941	-	585,941
8	Chemicals	20,407	-	20,407	-	20,407
9	Repairs And Maintenance	170,058	-	170,058	-	170,058
10	Office Supplies And Expenses	190,041	19,529	209,570	-	209,570
11	Outside Services	32,432	-	32,432	-	32,432
12	Service Company Fees	515,886	(78,789)	437,097	-	437,097
13	Water Testing	6,069	-	6,069	-	6,069
14	Rents	14,134	-	14,134	-	14,134
15	Transportation Expenses	0	-	-	-	0
16	Insurance - General Liability	28,990	(8,815)	20,175	-	20,175
17	Insurance - Health And Life	0	-	-	-	0
18	Regulatory Comm. Exp. - Rate Case	22,313	(8,958)	13,355	-	13,355
19	Miscellaneous Expense	148,620	365	148,985	-	148,985
20	Depreciation Expense	750,150	(6,793)	743,357	-	743,357
21	Taxes Other Than Income	28,072	(3,162)	24,910	-	24,910
22	Property Taxes	148,220	5,730	153,950	-	153,950
23	Income Tax	(97,736)	173,664	75,928	185,162	261,090
24	Adjustment Due To Rounding	1	-	1	-	1
25	TOTAL OPERATING EXPENSES	<u>\$ 3,019,487</u>	<u>\$ (91,034)</u>	<u>\$ 2,928,453</u>	<u>\$ 185,162</u>	<u>\$ 3,113,615</u>
26	OPERATING INCOME (LOSS)	<u>\$ 361,287</u>	<u>\$ 91,034</u>	<u>\$ 452,321</u>	<u>\$ 294,546</u>	<u>\$ 746,868</u>
Other Income (Expense):						
27	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
28	Other Income	0	-	-	-	0
29	Interest Expense	(516,761)	(185,223)	331,538	-	331,538
30	Other Expense	0	-	-	-	0
31	Gain/Loss Sale Of Assets	0	-	-	-	0
32	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (516,761)</u>	<u>\$ (185,223)</u>	<u>\$ 331,538</u>	<u>\$ 0</u>	<u>\$ 331,538</u>
33	NET PROFIT (LOSS)	<u>\$ (155,474)</u>	<u>\$ (94,188)</u>	<u>\$ 783,860</u>	<u>\$ 294,546</u>	<u>\$ 1,078,406</u>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony, RLM And Schedule RLM-7  
Column (C): Column (A) + Column (B)  
Column (D): Testimony, RLM And Schedule RLM-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS  
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) RUCO AS ADJED
1	OPERATING REVENUES:												
2	Mixed Water Revenues	\$ 3,343,134	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,343,134
3	Unrelated Water Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	Other Water Revenues	37,640	-	-	-	-	-	-	-	-	-	-	37,640
5	TOTAL OPERATING REVENUES	\$ 3,380,774	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,380,774
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 455,889	\$ 0	\$ 0	\$ 0	\$ (95,114)	\$ 0	\$ 0	\$ 0	\$ (85,692)	\$ 0	\$ 0	\$ 272,084
8	Purchased Water	0	-	-	-	-	-	-	-	-	-	-	0
9	Chemicals	585,941	-	-	-	-	-	-	-	-	-	-	585,941
10	Repairs And Maintenance	20,407	-	-	-	-	-	-	-	-	-	-	20,407
11	Office Supplies And Expenses	170,068	-	-	-	-	-	-	-	-	-	-	170,068
12	Outside Services	190,041	-	-	-	-	-	-	-	19,529	-	-	209,570
13	Service Company Fees	32,432	-	-	-	-	-	-	-	-	-	-	32,432
14	Water Testing	515,886	-	-	(78,786)	-	-	-	-	-	-	-	437,097
15	Rents	6,069	-	-	-	-	-	-	-	-	-	-	6,069
16	Transportation Expenses	14,134	-	-	-	-	-	-	-	-	-	-	14,134
17	Insurance - General Liability	28,990	-	-	-	-	-	-	-	-	-	-	28,990
18	Insurance - Health And Life	0	-	-	-	-	-	-	-	(8,815)	-	-	0
19	Regulatory Contr. Exp. - Rate Case	22,313	-	-	-	-	-	-	(8,958)	-	-	-	13,355
20	Miscellaneous Expense	148,620	-	-	-	-	-	-	-	365	-	-	148,985
21	Depreciation Expense	750,150	-	-	-	-	(6,793)	-	-	-	-	-	743,357
22	Taxes Other Than Income	28,072	-	4,344	-	(7,506)	-	-	-	-	-	-	24,910
23	Property Taxes	148,220	-	-	-	-	-	5,730	-	-	-	-	153,950
24	Income Tax	(97,736)	-	-	-	-	-	-	-	-	-	173,664	75,928
25	Adjustment Due To Rounding	1	-	-	-	-	-	-	-	-	-	-	1
26	TOTAL OPERATING EXPENSES	\$ 3,019,487	\$ 0	\$ 4,344	\$ (78,786)	\$ (105,620)	\$ (6,793)	\$ 5,730	\$ (8,958)	\$ (74,613)	\$ 0	\$ 173,664	\$ 2,928,453
27	OPERATING INCOME (LOSS)	\$ 361,287	\$ 0	\$ (4,344)	\$ 78,786	\$ 105,620	\$ 6,793	\$ (5,730)	\$ 8,958	\$ 74,613	\$ 0	\$ (173,664)	\$ 452,321
28	Other Income (Expense):												
29	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
30	Other Income	0	-	-	-	-	-	-	-	-	-	-	0
31	Interest Expense	(510,761)	-	-	-	-	-	-	-	-	(185,223)	-	(701,984)
32	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
33	TOTAL OTHER INCOME (EXPENSE)	\$ (510,761)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (185,223)	\$ 0	\$ (701,984)
34	NET PROFIT (LOSS)	\$ (155,474)	\$ 0	\$ (4,344)	\$ 78,786	\$ 105,620	\$ 6,793	\$ (5,730)	\$ 8,958	\$ 74,613	\$ (185,223)	\$ (173,664)	\$ (246,662)

REFERENCE

- 1- Intentionally Left Blank
- 2- Remove Test Year Salaries And Wages
- 3- Service Company Fees
- 4- Projected Salaries And Wages
- 5- Depreciation Expense
- 6- Property Taxes
- 7- Rate Case Expense
- 8- Projected Additional Corporate Overhead Expenses
- 9- Intentionally Left Blank
- 10- Income Tax

References:

- Col. (A): Company Sch. C-1
- Col. (B) Thru (K): Adj's #1 Thru #10
- Col. (L): Sum Of Cols. (A) Thru (K)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2**  
**CITIZENS SALARIES AND WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJMT
	SUN CITY WEST WATER		4005-4506			
1		Salaries And Wages		\$ 392,024	\$ 392,024	\$ -
2		Payroll Tax		4,764	9,108	4,344
3		TOTAL		<u>\$ 396,788</u>	<u>\$ 401,132</u>	<u>\$ 4,344</u>

**References:**

Column (A): Company Schedule C-2, Page 3  
Column (B): Company Provided Data On Citizens 2001 Payroll  
Column (C): Column (B) - Column (A)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) TOTAL SERVICE CHARGES		(B)	(C)	(D) ALLOCATED SERVICE CHARGES		(E)	(F)
			COMPANY AS FILED	RUCO AS ADJ'TED	FOUR FACT'R		COMPANY AS FILED	RUCO AS ADJ'TED		ADJ'MENT
1	Sun City West Water	2364	\$ 5,153,711	\$ 4,366,610	0.1001		\$ 515,886	\$ 437,098		\$ (78,789)
2	Sun City West Wastewater	2365	\$ 5,153,711	\$ 4,366,610	0.1072		\$ 552,478	\$ 468,101		\$ (84,377)
3	Sun City Water	2362	\$ 5,153,711	\$ 4,366,610	0.1797		\$ 926,122	\$ 784,680		\$ (141,442)
4	Sun City Wastewater	2363	\$ 5,153,711	\$ 4,366,610	0.1014		\$ 522,586	\$ 442,774		\$ (79,812)
5	Tubac	2389	\$ 5,153,711	\$ 4,366,610	0.0075		\$ 38,653	\$ 32,750		\$ (5,903)
SUN CITY WEST WATER							COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T	
6	Arizona-American Service Company Allocation						\$ 515,886	\$ 437,098	\$ (78,789)	

References:

Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) - Column (D)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	2365	418,601	113,022	305,579	9	25,582
3	Sun City Water	2362	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	2363	80,003	21,601	58,402	4	5,448
5	Tubac	2389	68,044	18,372	49,672	1	4,045

		COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T
6	SUN CITY WEST WATER			
	Salaries And Wages	\$ 347,733	\$ 249,619	\$ (98,114)
7	Payroll Tax	28,072	20,566	(7,506)
8	TOTAL	<u>\$ 375,805</u>	<u>\$ 270,185</u>	<u>\$ (105,620)</u>

**References:**

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL PLANT VALUE	(B) APR'D DEP. RATE	(C) TEST YEAR DEPRECIATION EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 20,074	0.00%	\$ 0
2	302.00	Franchises	80,361	0.00%	0
3	303.00	Miscellaneous Intangibles	-	0.00%	0
4		SUBTOTAL INTANGIBLE	<u>\$ 100,435</u>		<u>\$ 0</u>
		SOURCE OF SUPPLY			
5	310.00	Land And Land Rights	\$ 11,651	0.00%	\$ 0
6	311.00	Structures And Improvements	337,401	2.50%	8,435
7	312.00	Collecting And Impounding Reservoir	924	0.00%	0
8	313.00	Lakes, Rivers, Other Intakes	-	0.00%	0
9	314.00	Wells And Springs	1,292,708	2.52%	32,576
10		SUBTOTAL SUPPLY	<u>\$ 1,642,684</u>		<u>\$ 41,011</u>
		PUMPING			
11	320.00	Land And Land Rights	\$ 44,957	0.00%	\$ 0
12	321.00	Structures And Improvements	227,016	1.67%	3,791
13	323.00	Other Power Production	-	0.00%	0
14	325.00	Electric Pumping Equipment	4,960,460	4.42%	219,252
15	326.00	Diesel Pumping Equipment	4,487	4.42%	198
16	328.10	Gas Engine Pumping Equipment	1,755	4.42%	78
17		SUBTOTAL PUMPING	<u>\$ 5,238,675</u>		<u>\$ 223,319</u>
		WATER TREATMENT			
18	330.00	Land And Land Rights	\$ 0	0.00%	\$ 0
19	331.00	Structures And Improvements	37,624	1.67%	628
20	332.00	Water Treatment Equipment	145,775	4.00%	5,831
21		SUBTOTAL TREATMENT	<u>\$ 183,400</u>		<u>\$ 6,459</u>
		TRANSMISSION AND DISTRIBUTION			
22	340.00	Land And Land Rights	\$ 0	0.00%	\$ 0
23	341.00	Structures And Improvements	-	0.00%	0
24	342.00	Distribution, Reservoirs, And Structures	757,568	1.67%	12,651
25	343.00	Transmission And Distribution Mains	11,564,959	1.53%	176,944
26	344.00	Fire Mains	166	1.53%	3
27	345.00	Services	6,523,844	2.48%	161,791
28	346.00	Meters	1,651,599	2.51%	41,455
29	348.00	Hydrants	1,655,344	2.00%	33,107
30	349.00	Other Transmission And Distribution	-	0.00%	0
31		SUBTOTAL TRANSMISSION AND DISTRIBUTION	<u>\$ 22,153,481</u>	0.00%	<u>\$ 425,951</u>
		GENERAL			
32	389.00	Land And Land Rights	\$ 817	0.00%	\$ 0
33	390.00	Structures And Improvements	583,558	1.68%	9,808
34	391.00	Office Furniture And Equipment	189,065	4.55%	8,593
35	391.10	Computer Equipment	238,993	4.55%	10,863
36	392.00	Transportation Equipment	358,257	25.00%	89,564
37	393.00	Stores Equipment	4,807	3.92%	188
38	394.00	Tools, Shop And Garage	68,778	4.14%	2,844
39	395.00	Laboratory Equipment	21,787	3.71%	808
40	396.00	Power Operated Equipment	20,133	5.14%	1,036
41	397.00	Communication Equipment	115,961	10.28%	11,918
42	398.00	Miscellaneous Equipment	46,365	4.98%	2,309
43		SUBTOTAL GENERAL	<u>\$ 1,648,520</u>		<u>\$ 137,932</u>
44		TOTAL	<u>\$ 30,967,192</u>		<u>\$ 834,672</u>
45		Amortization Of Deferred Regulatory Assets	\$ 217,667	2.68%	\$ 5,841
46		Amortization Of Contribution In Aid Of Construction ("CIAC")	(971,578)	10.00%	(97,158)
47		Adjustment Due To Rounding	(1)		1
48		TOTAL WATER PLANT	<u>\$ 31,184,859</u>		<u>\$ 743,357</u>
49		Company As Filed As Per Schedule C-2, Pg 6, Line 73			\$ 750,150
50		Adjustment To Depreciation Expense (See RLM-6, Col (B), Line 20)			<u>\$ (6,793)</u>

References:

Column (A): Schedule RLM-5, Page 1, Column (E)  
Column (B): Schedule RLM-4, Page 4, Column (A)  
Column (C): Column (A) X Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 3,540,905	
2	Year 2000 (Company Schedule E-2)	3,903,820	
3	Year 2001 (Company Schedule E-2)	3,637,365	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 11,082,090	
5	Average Annual Operating Revenues (L4 / 3)	3,694,030	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 7,388,060
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 43,456	
8	10% Of CWIP (L7 X 10%)		\$ 4,346
	SUBTRACT: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (RLM-5, Pg 1, Col (E), L 36)	\$ 358,257	
10	Acc. Dep. Of Transportation Equipment (RLM-5, Pg 1, Col (F), L 36)	223,070	
11	Book Value Of Transportation Equipment (L9 - L10)		\$ 135,187
12	COMPANY'S FULL CASH VALUE (L6 + L8 + L11)		\$ 7,257,218
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	\$ 1,814,305	
	Property Tax Rates:		
15	Primary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	8.49%	
16	Secondary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	0.00%	
17	Estimated Tax Rate Liability (L14 + L15)	8.49%	
18	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		\$ 153,950
19	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. RLM-6, Col. (A), L22)	\$ 148,220	
20	Increase (Decrease) In Property Tax Expense (L18 - L19)	\$ 5,730	
21	Adjustment To Property Tax Expense From Company's Direct Filing (See RLM-6 Col. (B), L22)		\$ 5,730

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE

LINE NO.		(A) REVISED T. Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Sun City West Water	0.0956	\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)
3	Sun City West Wastewater	0.1000	70,006	41,901	(28,106)	(9,369)
4	Sun City Water	0.1752	122,623	73,393	(49,230)	(16,410)
5	Sun City Wastewater	0.1439	100,749	60,301	(40,448)	(13,483)
6	Tubac	0.0072	5,039	3,016	(2,023)	(674)
7	Agua Fria	0.1750	122,482	73,309	(49,173)	(16,391)
8	Anthem Water	0.1135	79,413	47,531	(31,882)	(10,627)
9	Agua Fria, Anthem Wastewater	0.0528	36,958	22,120	(14,837)	(4,946)
10	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
11	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)
12	TOTAL	1.0000	\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
SUN CITY WEST WATER			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
13	Rate Case Expense		\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)

References:

Column (A) : Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer From Allocation  
Column (B): Company Response To Data Request Minus The Mohave Sewer Allocated Value Of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) - Column (B)  
Column (E): Column (D) Divided By 3 (The Three Year Amortization Period)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	SUN CITY WEST WATER				
1		Salaries And Wages	\$ 108,156	\$ 22,464	\$ (85,692)
2		Office Supplies & Expense	162,863	182,392	19,529
3		Insurance	28,350	19,535	(8,815)
4		Miscellaneous Expense	1,099	1,464	365
5		TOTAL	<u>\$ 300,468</u>	<u>\$ 225,855</u>	<u>\$ (74,613)</u>

References:

Column (A): Company Schedule C-2, Page 11  
Column (B): Allocated Amounts From RLM-14, Pg 2, Line 24  
Column (C): Column (B) - Column (A)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	\$ 3,161,914	\$ 2,098,797	\$ 1,063,117	
8	Non-Applicable Accounts	\$ 2,153,067	\$ 2,117,294	\$ 35,773	
9	TOTAL (See RLM-14, Pg 3, L45)	\$ 5,314,981	\$ 4,216,091	\$ 1,098,890	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasus Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	0.8247	0.9534	0.8700	0.9544
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	1.0000	1.0000	1.0000	1.0000
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	89,857	322,580	57,988	4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasus Water	11,232	14,208	1,630	1,297
34	Subtotal	\$ 325,731	\$ 1,352,330	\$ 177,484	\$ 28,987
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	\$ 48,672	\$ 126,483	\$ 37,716	\$ 1,393
38	TOTAL	\$ 374,404	\$ 1,478,813	\$ 215,200	\$ 30,381
39	TOTAL RUCO ADJUSTMENT (See RLM-14, pg 2, Column (B), Line 7 Above)			\$ 2,098,797	

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report  
Allocation Amounts - Calculated Using Same Methodology As Company

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DESCRIPTION	(A) CATEGORY	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) DIFFERENCE
1	Directors Fees	MISC	\$ 6,000	\$ 8,500	\$ 2,500
2	Bank Service Charges	OFFICE	29,863	124,896	95,033
3	Bill Insert	OFFICE	29,703	35,304	5,601
4	Collection Agencies	OFFICE	870	6,673	5,803
5	Forms AG	OFFICE	17,074	13,051	(4,023)
6	Advertising (Required Notification)	OFFICE	230,287	130,698	(99,589)
7	Brochures And Handouts	OFFICE	2,502	834	(1,668)
8	Community Relations	OFFICE	7,730	6,662	(1,068)
9	Postage	OFFICE	329,952	125,443	(204,509)
10	Group Insurance	OFFICE	622,145	587,410	(34,735)
11	Incentive Plan Expenses	EMP. BENFITS	226,620	21,252	(205,368)
12	PBOP Operations AG	EMP. BENFITS	341,502	16,737	(324,765)
13	Workman Compensation	EMP. BENFITS	(19,061)	(3,359)	15,702
14	Dues Deducted	EMP. BENFITS	3,612	13,660	10,048
15	Dues Non-Deducted	EMP. BENFITS	2,705	5,052	2,347
16	Dues-Membership Deducted	EMP. BENFITS	-	2,959	2,959
17	Employee Expenses AG	EMP. BENFITS	115,234	60,267	(54,967)
18	Employee Exp Conference-Registration	EMP. BENFITS	24,595	15,666	(8,929)
19	Meals And Travel Deducted	EMP. BENFITS	39,758	20,433	(19,325)
20	Meals And Travel Non-Deduct	EMP. BENFITS	-	13,037	13,037
21	Other Welfare Operations	EMP. BENFITS	6,495	19,906	13,411
22	Employee Awards	EMP. BENFITS	252	1,144	892
23	Employee Physical Exams	EMP. BENFITS	1,842	716	(1,126)
24	Tuition Aid	EMP. BENFITS	29,515	15,528	(13,987)
25	Training	EMP. BENFITS	24,818	28,944	4,126
26	401K	EMP. BENFITS	74,501	61,288	(13,213)
27	ESOP	EMP. BENFITS	91,759	81,175	(10,584)
28	Trustee Fees	MISC	17,058	21,881	4,823
29	Credit Line Fees	OFFICE	8,347	24,728	16,381
30	Insurance General Liability	INS	41,335	77,430	36,095
31	Security Services	OFFICE	637,500	423,114	(214,386)
32	Insurance Other	INS	217,401	137,770	(79,631)
33	Company Dues-Membership Deduct	N/A	16,178	4,422	(11,756)
34	Company Dues-Membership Non-deducted	N/A	36,108	2,846	(33,262)
35	Company Dues-Membership AWWA Ded.	N/A	882	495	(387)
36	Company Dues-Membership AWWA Non	N/A	1,947	649	(1,298)
37	Company Dues-Membership Non-Deducted	N/A	-	18,075	18,075
38	Charitable Contribution Deducted	N/A	3,500	2,075	(1,425)
39	Charitable Contribution Non-Deduct	N/A	800	200	(600)
40	Property Taxes	N/A	2,093,652	1,648,841	(444,811)
41	Business Services-Project Expense	N/A	-	390,309	390,309
42	Pcard Undistributed	N/A	-	39,882	39,882
43	Water Reservoir Conservation	N/A	-	4,001	4,001
44	Pension Operation AG	N/A	-	5,499	5,499
45	TOTAL		<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ (1,098,890)</u>

References:

Columns (A) (C): Company Response To RUCO Third Data Request  
Column (B): Company As Filed  
Column (D): Column (C) - Column (B)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. RLM-6, Col. (C), L25 + L23	\$ 528,250
	LESS:		
2	Arizona State Tax	Line 11	13,707
3	Interest Expense	Note (A) Line 19	331,538
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 183,004
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col.(D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 62,221
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 528,250
	LESS:		
8	Interest Expense	Note (A) Line 19	331,538
9	State Taxable Income	Line 7 - Line 8	\$ 196,711
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 13,707
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ 62,221
13	State Income Tax Expense	Line 11	13,707
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 75,928
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(97,736)
16	Total Income Tax Adjustment (See Sch. RLM 6, Col. (B), L23)	Line 14 - Line 15	\$ 173,664

**NOTE (A):**

Interest Synchronization:

17	Adjusted Rate Base (Sch. RLM-3, Col. (E), L16)	\$ 11,366,817
18	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	2.92%
19	Interest Expense (L17 X L18)	\$ 331,538

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	(A) CAPITAL'ION PER COMPANY	(B) RUCO ADJ'TS	(C) RUCO ADJUSTED CAPITAL'ION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Long-Term Debt	\$ 165,583,119	\$ 0	\$ 165,583,119	59.89%	4.87%	2.92%
2	Common Equity	\$ 110,888,158	\$ 0	\$ 110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITAL	<u>\$ 276,471,277</u>	<u>\$ 0</u>	<u>\$ 276,471,277</u>	<u>100.00%</u>		
4	COST OF CAPITAL						<u>6.57%</u>

References:

Column (A): Staff Data Request Nos. JMR 8-3 And JMR 8-4  
Column (B): Testimony, WAR  
Column (C): Column (A) + Column (B)  
Column (D): Column (C), Line Item / Total Capital (L5)  
Column (E): Testimony, WAR  
Column (F): Column (D) X Column (E)

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 X 3/4 - Inch	\$ 5.00	\$ 7.23	\$ 5.00
2	3/4 - Inch	5.00	7.23	5.00
3	1 - Inch	13.00	18.80	13.00
4	1 1/2 - Inch	28.00	40.49	28.00
5	2 - Inch	41.00	59.29	41.00
6	3 - Inch	70.00	101.22	70.00
7	4 - Inch	103.00	148.94	103.00
8	6 - Inch	141.00	203.89	141.00
9	Construction (To Be Canceled - N/A)	8.00	N/A	N/A
10	General Fire Sprinkler Rate 4 - Inch	30.00	43.38	30.00
11	General Fire Sprinkler Rate 6 - Inch	45.00	65.07	45.00
12	General Fire Sprinkler Rate 8 - Inch	60.00	86.76	60.00
13	General Fire Sprinkler Rate 10 - Inch	120.00	173.52	120.00

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES - ALL METERS (Per 1,000 Gallons):**

14	Tier 1 (0 to 8,000 Gallons)	\$ 0.93	\$ 1.34	\$ 1.14
15	Tier 2 (Above 8,001 Gallons)	1.12	1.62	1.38
16	Effluent Sales (Per Acre Foot)	150.00	216.90	216.90
17	CAP - Raw Water (Per 1,000 Gallons)	0.50	0.72	0.72

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Testimony, RLM

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES CONT'D**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>SERVICE LINE AND METER INSTALLATION CHARGES:</b>				
1	5/8 X 3/4 - Inch Meter	\$ 320.00	\$ 410.00	\$ 410.00
2	3/4 - Inch Meter	360.00	410.00	410.00
3	1 - Inch Meter	415.00	520.00	520.00
4	1 1/2 - Inch Meter	725.00	660.00	660.00
5	2 - Inch Meter	1,090.00	1,155.00	1,155.00
6	3 - Inch Meter	Cost	1,625.00	1,625.00
7	4 - Inch Meter	Cost	2,500.00	2,500.00
8	6 - Inch Meter	Cost	4,500.00	4,500.00
9	8 - Inch Meter	Cost	8,200.00	8,200.00
<b>SERVICE CHARGES:</b>				
10	Establishment Of Service	\$ 30.00	\$ 50.00	\$ 50.00
11	Establishment Of Service (After Hours)	40.00	60.00	60.00
12	Re-Connection (Delinquent)	N/A	N/A	N/A
13	Re-Connection (After Hours)	N/A	N/A	N/A
14	Meter Test Fee (If Correct)	10.00	10.00	10.00
15	Deposit		As Per ACC R14-2-403.B	
16	Deposit Interest		As Per ACC R14-2-403.B	
17	Re-Establishment - (Within 12 Months)	Monthly Minimum Times Months Disconnected - As Per ACC R14-2-403.D		
18	NSF Charge (Per Month)	10.00	10.00	10.00
19	Deferred Payment	1.50%	1.50%	1.50%
20	Meter Re-Read - (If Correct)	5.00	5.00	5.00
21	Meter Moved - Customer Requested	Cost	Cost	Cost
22	Late Payment Charge	1.50%	1.50%	1.50%
23	Damages To Locks, Valves, Seals	Cost	Cost	Cost

All Advances (AIAC) And/Or Contributions (CIAC) Are To Include Labor, Materials, Overhead,  
And All Applicable Taxes, Including All Gross-Up Taxes For Income Taxes

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Testimony, RLM

**PROOF OF RECOMMENDED REVENUE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 X 3/4 - Inch	\$ 5.00	174,696	\$ 873,480
2	3/4 - Inch	5.00	12	60
3	1 - Inch	13.00	2,163	28,122
4	1 1/2 - Inch	28.00	6,348	177,753
5	2 - Inch	41.00	3,045	124,853
6	3 - Inch	70.00	168	11,760
7	4 - Inch	103.00	24	2,472
8	6 - Inch	141.00	12	1,692
9	Construction (To Be Canceled - N/A)	N/A	0	0
10	General Fire Sprinkler Rate 4 - Inch	30.00	156	4,680
11	General Fire Sprinkler Rate 6 - Inch	45.00	264	11,880
12	General Fire Sprinkler Rate 8 - Inch	60.00	84	5,040
13	General Fire Sprinkler Rate 10 - Inch	120.00	0	0
14	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>186,972</u>	<u>\$ 1,241,792</u>
NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE				
<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>				
15	Tier 1 (0 to 8,000 Gallons)	\$ 1.14	1,071,770,072	\$ 1,221,089
16	Tier 2 (Above 8,001 Gallons)	1.38	972,672,411	1,344,736
17	Effluent Sales (Per Acre Foot)	216.90	0	0
18	CAP - Raw Water (Per 1,000 Gallons)	0.72	0	0
19	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>2,044,442,483</u>	<u>\$ 2,565,825</u>
20	Unmetered Revenue			\$ 0
21	Other Revenue			37,640
22	Difference Between Bill Count And Revenue As Recorded			15,225
23	TOTAL PROPOSED ANNUALIZED REVENUE			<u>\$ 3,860,482</u>
24	Required Revenue (As Per Schedule RLM-1, Col (D), L10)			3,860,482
25	Difference			<u>\$ 0</u>

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

**References:**

Column (A): RLM-17, Page 1, Column (C)  
Column (B): Response To RUCO Data Request No. 1.04  
Column (C): Columns (A) X (B)

**TYPICAL BILL ANALYSIS**  
**RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED</b>						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	7,102	\$11.60	\$16.75	\$5.14	44.3%
2	Median	5,610	\$10.22	\$14.75	\$4.53	44.3%
<b>RUCO PROPOSED</b>						
3	Average	7,102	\$11.60	\$13.09	\$1.49	12.8%
4	Median	5,610	\$10.22	\$11.39	\$1.17	11.5%
5	Average Number Of Customers:		14,463			

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company		RUCO	
			Prop'd Rates	% Increase	Prop'd Rates	% Increase
6	0	\$5.00	\$7.23	44.6%	\$5.00	0.0%
7	1,000	5.93	8.57	44.5%	6.13	3.3%
8	2,000	6.86	9.91	44.5%	7.25	5.7%
9	3,000	7.79	11.25	44.4%	8.38	7.6%
10	4,000	8.72	12.59	44.4%	9.50	9.0%
11	5,000	9.65	13.93	44.4%	10.63	10.2%
12	6,000	10.58	15.27	44.3%	11.76	11.1%
13	7,000	11.51	16.61	44.3%	12.88	11.9%
14	8,000	12.44	17.95	44.3%	14.01	12.6%
15	9,000	13.56	19.57	44.3%	15.38	13.4%
16	10,000	14.68	21.19	44.3%	16.74	14.0%
17	15,000	20.28	29.29	44.4%	23.57	16.2%
18	20,000	25.88	37.39	44.5%	30.41	17.5%
19	25,000	31.48	45.49	44.5%	37.24	18.3%
20	50,000	59.48	85.99	44.6%	71.40	20.0%
21	75,000	87.48	126.49	44.6%	105.56	20.7%
22	100,000	115.48	166.99	44.6%	139.73	21.0%
23	125,000	143.48	207.49	44.6%	173.89	21.2%
24	150,000	171.48	247.99	44.6%	208.05	21.3%
25	175,000	199.48	288.49	44.6%	242.21	21.4%
26	200,000	227.48	328.99	44.6%	276.37	21.5%

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	2	REVENUE REQUIREMENT
RLM-2	1	FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1 TO 12	TEST YEAR PLANT SCHEDULES
RLM-5	1	POST-TEST YEAR 2001 PLANT
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - CITIZENS SALARIES AND WAGES
RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - AZ-AM SERVICE COMPANY ALLOCATIONS
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
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RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
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RLM-14	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
RLM-15	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
RLM-16	1	COST OF CAPITAL
RLM-17	1 TO 2	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-18	1	PROOF OF RECOMMENDED REVENUE
RLM-19	1	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJ'MENT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 13,455,978	\$ 5,794,789	\$ 19,250,767	\$ 10,470,538
2	Adjusted Operating Income (Loss)	\$ (164,369)		\$ (164,369)	\$ 57,146
3	Current Rate Of Return (L2 / L1)	-1.22%		-0.85%	0.55%
4	Required Operating Income (L5 X L1)	\$ 1,042,776		\$ 1,491,934	\$ 687,977
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 1,207,145		\$ 1,656,303	\$ 630,830
7	Gross Revenue Conversion Factor (RLM-1, PG 2)	1.6286		1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 1,965,956		\$ 2,697,456	\$ 1,027,392
9	Adjusted Test Year Revenue	\$ 3,535,680		\$ 3,535,680	\$ 3,535,680
10	Proposed Annual Revenue (L8 + L9)	\$ 5,494,492		\$ 6,233,136	\$ 4,563,072
11	Required Percentage Increase In Revenue (L8 / L9)	55.60%		76.29%	29.06%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1  
Column (B): RUCO Schedule RLM-2  
Column (C): Recalculated After Adjusted To OCRB  
Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. RLM-1, Col. (D), L4)	\$ 687,977			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. RLM-1, Col. (D), L2)	57,146			
13	Required Increase In Operating Income (L11 - L12)		\$ 630,830		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 240,503			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(156,059)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 396,562		
17	Total Required Increase In Revenue (L13 + L16)		\$ 1,027,392		
				RUCO	
				Recommended	
18	Revenue (Sch. RLM-1, Col. (D), L10)			\$ 4,563,072	
19	Less: Opr'g Exp. Excl. Inc. Tax (RLM-6, Col. (E), L27 - L25)			3,634,592	
20	Less: Synchronized Interest (Col. (C), L37)			305,396	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 623,083	
22	Arizona State Income Tax Rate			6.97%	
23	Arizona Income Tax (L21 X L22)				\$ 43,416
24	Fed. Taxable Income (L21 - L23)			\$ 579,667	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			83,187	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 197,087
31	Combined Federal And State Income Tax (L23 + L30)				\$ 240,503
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L25)				\$ (156,059)
33	Adjustment (L31 - L32) (See RLM-6, Col. (D), L25)				\$ 396,562
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-1, Pg 2, Col. (E), L16)		\$ 10,470,538		
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)		2.92%		
37	Synchronized Interest (L35 X L36)		\$ 305,396		

FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJM'TS TO OCRB	(C) RUCO ADJUSTED TO OCRB	(D) RUCO OCRB ADJM'TS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 58,932,134	\$ (19,830,322)	\$ 39,101,812	\$ (868,145)	\$ 38,233,667
	Less:					
2	Accumulated Depreciation	21,419,094	(7,128,849)	14,290,245	(2,489,292)	11,800,953
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 37,513,040</u>	<u>\$ (12,701,473)</u>	<u>\$ 24,811,567</u>	<u>\$ 1,621,147</u>	<u>\$ 26,432,714</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	<u>\$ 21,858,105</u>	<u>\$ (7,355,126)</u>	<u>\$ 14,502,979</u>	<u>\$ 0</u>	<u>\$ 14,502,979</u>
5	Contribution In Aid Of Const. ("CIAC")	\$ 2,198,432	\$ (739,760)	\$ 1,458,672	\$ 0	\$ 1,458,672
6	Less: Accumulated Amortization	-	-	-	-	0
7	NET CIAC (L5 - L6)	<u>\$ 2,198,432</u>	<u>\$ (739,760)</u>	<u>\$ 1,458,672</u>	<u>\$ 0</u>	<u>\$ 1,458,672</u>
8	Customer Meter Deposits	\$ 525	\$ 0	\$ 525	\$ 0	\$ 525
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Deferred Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	10,401,376	10,401,376	(10,401,376)	0
15	Adjustment Due To Rounding	-	-	-	-	0
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 13,455,978</u></u>	<u><u>\$ 5,794,789</u></u>	<u><u>\$ 19,250,767</u></u>	<u><u>\$ (8,780,229)</u></u>	<u><u>\$ 10,470,538</u></u>

References:

Column (A): Company Schedule B-1  
Column (B): Testimony, RLM  
Column (C): Column (A) + Column (B)  
Column (D): Schedule RLM-3  
Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJM'T # 1	(C) RUCO ADJM'T # 2	(D) RUCO ADJM'T # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 39,101,812	\$ (861,163)	\$ (6,982)	\$ 0	\$ 38,233,667
	Less:					
2	Accumulated Depreciation	14,290,245	(2,495,572)	6,279	-	11,800,953
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 24,811,567</u>	<u>\$ 1,634,408</u>	<u>\$ (13,261)</u>	<u>\$ 0</u>	<u>\$ 26,432,714</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 14,502,979	\$ 0	\$ 0	\$ 0	\$ 14,502,979
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,458,672	\$ 0	\$ 0	\$ 0	1,458,672
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,458,672</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,458,672</u>
8	Customer Meter Deposits	\$ 525	\$ 0	\$ 0	\$ 0	\$ 525
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Deferred Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	10,401,376	-	-	(10,401,376)	0
15	Adjustment Due To Rounding	-	-	-	-	0
16	<b>TOTAL RATE BASE</b>	<u>\$ 19,250,767</u>	<u>\$ 1,634,408</u>	<u>\$ (13,261)</u>	<u>\$ (10,401,376)</u>	<u>\$ 10,470,538</u>

**References:**

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)  
Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-4, Page 12, Col (E) & (F), L 43)  
Column (C): Adjustment To Post Test Year Plant And Accumulated Depreciation (See RLM-5, Page 1, Col (E) & (F), L 45)  
Column (D): Adjustment To Citizens Acquisition Adjustment (See Testimony, RLM)  
Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES**  
**COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1995 TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 CO. AS FILED TOTAL PLANT	(D) PRIOR APP'N CO. AS FILED 3/31/1995 TOTAL PLANT	(E) ADJMT # 2 TO 03/31/95 CO. AS FILED TOTAL PLANT	(F) ACTUAL 03/31/95 PRIOR T. Y. TOTAL PLANT
<b>INTANGIBLE</b>								
1	301.00	Organization	0.0000	\$ 4,078	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	0.0000	1,427	-	1,427	-	1,427
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		<b>SUBTOTAL INTANGIBLE</b>		<b>\$ 5,505</b>	<b>\$ 0</b>	<b>\$ 5,505</b>	<b>\$ 0</b>	<b>\$ 5,505</b>
<b>TREATMENT AND DISCHARGE</b>								
5	310.00	Land And Land Rights	0.0000	\$ 342,851	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	0.0831	2,437,782	(33,541)	2,404,221	(20,993)	2,383,228
7	312.00	Preliminary Treatment	0.0369	1,080,969	(14,873)	1,066,096	(9,309)	1,056,787
8	313.00	Primary Treatment Equipment	0.0301	882,795	(12,146)	870,649	(7,602)	863,046
9	314.00	Secondary Treatment Equipment	0.1485	4,353,946	(59,906)	4,294,040	(37,494)	4,256,546
10	315.00	Tertiary Equipment	0.0802	2,350,904	(32,346)	2,318,558	(20,245)	2,298,313
11	316.00	Disinfection Equipment	0.0074	217,489	(2,992)	214,497	(1,873)	212,624
12	317.00	Effluent Lift Station E	0.0112	328,026	(4,513)	323,513	(2,825)	320,688
13	318.00	Outfall Line	0.0032	94,680	(1,303)	93,377	(815)	92,562
14	319.00	Sludge, Treatment And Distribution	0.0225	659,242	(9,071)	650,171	(5,677)	644,494
15	321.00	Influent Lift Station	0.0006	17,496	(241)	17,255	(151)	17,105
16	322.00	General Treatment Equipment	0.0074	217,915	(2,998)	214,917	(1,877)	213,040
17		<b>SUBTOTAL TREATMENT AND DISCHARGE</b>		<b>\$ 12,984,075</b>	<b>\$ (173,931)</b>	<b>\$ 12,810,144</b>	<b>\$ (108,860)</b>	<b>\$ 12,701,283</b>
<b>COLLECTION AND INFLUENT</b>								
18	340.00	Land And Land Rights	0.0000	\$ 20,747	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	0.0156	456,045	(6,275)	449,770	(3,927)	445,843
20	342.00	Collection System Lift	0.0289	847,154	(11,656)	835,498	(7,295)	828,203
21	343.00	Collection Mains	0.3072	9,006,715	(123,924)	8,882,791	(77,561)	8,805,230
22	344.00	Force Mains	0.0257	752,939	(10,360)	742,579	(6,484)	736,095
23	345.00	Discharge Services	0.0820	2,404,138	(33,079)	2,371,059	(20,703)	2,350,356
24	348.00	Manholes	0.0976	2,860,833	(39,362)	2,821,471	(24,636)	2,796,835
25		<b>SUBTOTAL COLLECTION AND INFLUENT</b>		<b>\$ 16,348,571</b>	<b>\$ (224,655)</b>	<b>\$ 16,123,916</b>	<b>\$ (140,607)</b>	<b>\$ 15,983,309</b>
<b>GENERAL</b>								
26	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0000	-	-	-	-	0
28	391.00	Office Furniture And Equipment	0.0000	64,689	-	64,689	-	64,689
29	391.10	Computer Equipment	0.0000	-	-	-	-	0
30	392.00	Transportation Equipment	0.0000	83,876	-	83,876	-	83,876
31	393.00	Stores Equipment	0.0000	3,853	-	3,853	-	3,853
32	394.00	Tools, Shop And Garage	0.0000	22,788	-	22,788	-	22,788
33	395.00	Laboratory Equipment	0.0000	16,994	-	16,994	-	16,994
34	396.00	Power Operated Equipment	0.0000	-	-	-	-	0
35	397.00	Communication Equipment	0.0000	2,866	-	2,866	-	2,866
36	398.00	Miscellaneous Equipment	0.0000	28,071	-	28,071	-	28,071
37		<b>SUBTOTAL GENERAL</b>		<b>\$ 223,137</b>	<b>\$ 0</b>	<b>\$ 223,137</b>	<b>\$ 0</b>	<b>\$ 223,137</b>
38		<b>TOTAL WASTEWATER PLANT</b>		<b>\$ 29,561,288</b>	<b>\$ (398,587)</b>	<b>\$ 29,162,701</b>	<b>\$ (249,468)</b>	<b>\$ 28,913,234</b>
39		AFUDC ADJUSTMENT 3/95		\$ (242,717)	\$ 0	\$ (242,717)	\$ 242,717	\$ 0
40		Adjustment Due To Rounding		-	-	-	-	0
41		<b>ADJUSTED WASTEWATER PLANT</b>		<b>\$ 29,318,571</b>	<b>\$ (398,587)</b>	<b>\$ 28,919,984</b>	<b>\$ (6,751)</b>	<b>\$ 28,913,234</b>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L41)

Column (B): Company Schedule B-2, Page 6a

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of Total Plant Of (\$398,587)

Column (D): Column (B) + Column (C) As Per Prior Application Exhibit KHD-2, Schedule A page 5

Column (E): Column (A) (Line Item Allocation Factor) X Total Adjustment Of Total Plant Of (\$6,751) As Per Prior Application Schedule B-2

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
COMPANY'S PRIOR FILING VERSUS TOTAL PLANT ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) ACTUAL 03/31/1995 PRIOR T. Y. TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(E) ACC APPR'D ADJUSTED PRIOR T. Y. TOTAL PLANT
INTANGIBLE							
1	301.00	Organization	0.0000	\$ 4,078	\$ 0	\$ 0	\$ 4,078
2	302.00	Franchises	0.0000	1,427	-	-	1,427
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	0
4		SUBTOTAL INTANGIBLE		<u>\$ 5,505</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,505</u>
TREATMENT AND DISCHARGE							
5	310.00	Land And Land Rights	0.0000	\$ 342,851	\$ 0	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	0.0824	2,383,228	(30,462)	-	2,352,766
7	312.00	Preliminary Treatment	0.0366	1,056,787	-	-	1,056,787
8	313.00	Primary Treatment Equipment	0.0298	863,046	-	-	863,046
9	314.00	Secondary Treatment Equipment	0.1472	4,256,546	-	-	4,256,546
10	315.00	Tertiary Equipment	0.0795	2,298,313	-	-	2,298,313
11	316.00	Disinfection Equipment	0.0074	212,624	-	-	212,624
12	317.00	Effluent Lift Station E	0.0111	320,688	(4,099)	-	316,589
13	318.00	Outfall Line	0.0032	92,562	(1,183)	-	91,379
14	319.00	Sludge, Treatment And Distribution	0.0223	644,494	-	-	644,494
15	321.00	Influent Lift Station	0.0006	17,105	(219)	-	16,886
16	322.00	General Treatment Equipment	0.0074	213,040	(2,723)	-	210,317
17		SUBTOTAL TREATMENT AND DISCHARGE		<u>\$ 12,701,283</u>	<u>\$ (38,686)</u>	<u>\$ 0</u>	<u>\$ 12,662,597</u>
COLLECTION AND INFLUENT							
18	340.00	Land And Land Rights	0.0000	\$ 20,747	\$ 0	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	0.0154	445,843	(5,699)	-	440,144
20	342.00	Collection System Lift	0.0286	828,203	(10,586)	-	817,617
21	343.00	Collection Mains	0.3045	8,805,230	(112,547)	-	8,692,683
22	344.00	Force Mains	0.0255	736,095	(9,409)	-	726,687
23	345.00	Discharge Services	0.0813	2,350,356	(30,042)	-	2,320,314
24	348.00	Manholes	0.0967	2,796,835	(35,749)	-	2,761,086
25		SUBTOTAL COLLECTION AND INFLUENT		<u>\$ 15,983,309</u>	<u>\$ (204,031)</u>	<u>\$ 0</u>	<u>\$ 15,779,278</u>
GENERAL							
26	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0000	-	-	-	0
28	391.00	Office Furniture And Equipment	0.0000	64,689	-	-	64,689
29	391.10	Computer Equipment	0.0000	-	-	-	0
30	392.00	Transportation Equipment	0.0000	83,876	-	-	83,876
31	393.00	Stores Equipment	0.0000	3,853	-	-	3,853
32	394.00	Tools, Shop And Garage	0.0000	22,788	-	-	22,788
33	395.00	Laboratory Equipment	0.0000	16,994	-	-	16,994
34	396.00	Power Operated Equipment	0.0000	-	-	-	0
35	397.00	Communication Equipment	0.0000	2,866	-	-	2,866
36	398.00	Miscellaneous Equipment	0.0000	28,071	-	-	28,071
37		SUBTOTAL GENERAL		<u>\$ 223,137</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,137</u>
38		TOTAL WASTEWATER PLANT		<u>\$ 28,913,234</u>	<u>\$ (242,717)</u>	<u>\$ 0</u>	<u>\$ 28,670,517</u>
39		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0
40		Adjustment Due To Rounding		-	-	-	0
41		ADJUSTED WASTEWATER PLANT		<u>\$ 28,913,234</u>	<u>\$ (242,717)</u>	<u>\$ 0</u>	<u>\$ 28,670,517</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L42) (Excluding General Plant)  
Column (B): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (C): Commission Approved Adjustment Decision No. 60172, Exhibit A Per AR-13  
Column (D): Intentionally Left Blank  
Column (E): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

**TEST YEAR PLANT SCHEDULES CONT'D**  
**COMPANY'S PRESENT FILING VERSUS ACCUMULATED DEPRECIATION FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) PREV. APPL'N CO. AS FILED 12/31/1994 ACC. DEP.	(C) ADJMT NO. 1 TO 12/31/94 ACC. DEP.	(D) ACTUAL 03/31/1995 PRIOR T. Y. ACC. DEP.	(E) ADJMT NO. 2 TO 03/31/95 PRIOR T. Y. ACC. DEP.	(F) ACC APPR'D ADJUSTED PRIOR T. Y. ACC. DEP.
<b>INTANGIBLE</b>								
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		<b>SUBTOTAL INTANGIBLE</b>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TREATMENT AND DISCHARGE</b>								
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.1396	1,146,873	(560,448)	586,425	2,206	588,631
7	312.00	Preliminary Treatment	0.0440	361,802	-	361,802	696	362,498
8	313.00	Primary Treatment Equipment	0.0327	268,372	-	268,372	516	268,888
9	314.00	Secondary Treatment Equipment	0.1923	1,580,359	-	1,580,359	3,040	1,583,399
10	315.00	Tertiary Equipment	0.0938	770,735	-	770,735	1,483	772,218
11	316.00	Disinfection Equipment	0.0149	122,433	-	122,433	236	122,669
12	317.00	Effluent Lift Station E	0.0328	269,217	(131,560)	137,657	518	138,175
13	318.00	Outfall Line	0.0067	54,868	(26,813)	28,055	106	28,161
14	319.00	Sludge, Treatment And Distribution	0.0366	300,618	-	300,618	578	301,196
15	321.00	Influent Lift Station	0.0007	6,132	(2,997)	3,135	12	3,147
16	322.00	General Treatment Equipment	0.0002	1,979	(967)	1,012	4	1,015
17		<b>SUBTOTAL TREATMENT AND DISCHARGE</b>		<u>\$ 4,883,388</u>	<u>\$ (722,785)</u>	<u>\$ 4,160,603</u>	<u>\$ 9,394</u>	<u>\$ 4,169,997</u>
<b>COLLECTION AND INFLUENT</b>								
18	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	0.0011	8,867	(4,333)	4,534	17	4,551
20	342.00	Collection System Lift	0.0818	671,848	(328,315)	343,533	1,292	344,825
21	343.00	Collection Mains	0.1838	1,510,628	(738,206)	772,422	2,906	775,328
22	344.00	Force Mains	0.0126	103,389	(50,524)	52,865	199	53,064
23	345.00	Discharge Services	0.0477	392,003	(191,562)	200,441	754	201,195
24	348.00	Manholes	0.0652	535,530	(261,700)	273,830	1,030	274,860
25		<b>SUBTOTAL COLLECTION AND INFLUENT</b>		<u>\$ 3,222,265</u>	<u>\$ (1,574,641)</u>	<u>\$ 1,647,624</u>	<u>\$ 6,199</u>	<u>\$ 1,653,822</u>
<b>GENERAL</b>								
26	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0000	-	-	-	-	0
28	391.00	Office Furniture And Equipment	0.0027	21,778	21,778	43,556	42	43,598
29	391.10	Computer Equipment	0.0002	1,924	1,924	3,848	4	3,852
30	392.00	Transportation Equipment	0.0079	64,723	64,723	129,446	125	129,571
31	393.00	Stores Equipment	0.0001	1,036	1,036	2,072	2	2,074
32	394.00	Tools, Shop And Garage	0.0007	5,421	5,421	10,842	10	10,852
33	395.00	Laboratory Equipment	0.0008	6,178	6,178	12,356	12	12,368
34	396.00	Power Operated Equipment	0.0000	-	-	-	-	0
35	397.00	Communication Equipment	0.0003	2,151	2,151	4,302	4	4,306
36	398.00	Miscellaneous Equipment	0.0010	8,379	8,379	16,758	16	16,774
37		<b>SUBTOTAL GENERAL</b>		<u>\$ 111,590</u>	<u>\$ 111,590</u>	<u>223,180</u>	<u>\$ 215</u>	<u>\$ 223,395</u>
38		<b>TOTAL WASTEWATER PLANT ACC. DEP.</b>		<u>\$ 8,217,243</u>	<u>\$ (2,185,837)</u>	<u>\$ 6,031,406</u>	<u>\$ 15,808</u>	<u>\$ 6,047,214</u>
39		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
40		Adjustment Due To Rounding		-	-	-	-	0
41		<b>ADJUSTED WASTEWATER PLANT ACC. DEP.</b>		<u>\$ 8,217,243</u>	<u>\$ (2,185,837)</u>	<u>\$ 6,031,406</u>	<u>\$ 15,808</u>	<u>\$ 6,047,214</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Accumulated Depreciation Value (Col. (B), L42)

Column (B): Company Prior Application Exhibit RLM-4b

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$2,185,837

Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

Column (E): Column (A) (Line Item Allocation Factor) X Total Accumulated Depreciation Adjustment Of \$15,808 As Per Decision 60172 Exhibit A

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
PRIOR TEST YEAR ENDED MARCH 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
INTANGIBLE								
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	0.00%	-	-	1,427	-	1,427
3	303.00	Miscellaneous Intangibles	0.00%	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 5,505	\$ 0	\$ 5,505
TREATMENT AND DISCHARGE								
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	5.00%	-	-	2,352,766	588,631	1,764,135
7	312.00	Preliminary Treatment	5.00%	-	-	1,056,787	362,498	694,289
8	313.00	Primary Treatment Equipment	5.00%	-	-	863,046	268,888	594,158
9	314.00	Secondary Treatment Equipment	5.00%	-	-	4,256,546	1,583,399	2,673,147
10	315.00	Tertiary Equipment	5.00%	-	-	2,298,313	772,218	1,526,095
11	316.00	Disinfection Equipment	5.00%	-	-	212,624	122,669	89,955
12	317.00	Effluent Lift Station E	8.40%	-	-	316,589	138,175	178,414
13	318.00	Outfall Line	5.00%	-	-	91,379	28,161	63,218
14	319.00	Sludge, Treatment And Distribution	5.00%	-	-	644,494	301,196	343,298
15	321.00	Influent Lift Station	8.40%	-	-	16,886	3,147	13,739
16	322.00	General Treatment Equipment	5.00%	-	-	210,317	1,015	209,302
17		SUBTOTAL TREATMENT AND DISCHARGE		\$ 0	\$ 0	\$ 12,662,597	\$ 4,169,997	\$ 8,492,600
COLLECTION AND INFLUENT								
18	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	1.67%	-	-	440,144	4,551	435,594
20	342.00	Collection System Lift	8.40%	-	-	817,617	344,825	472,792
21	343.00	Collection Mains	2.04%	-	-	8,692,683	775,328	7,917,355
22	344.00	Force Mains	2.07%	-	-	726,687	53,064	673,623
23	345.00	Discharge Services	2.04%	-	-	2,320,314	201,195	2,119,119
24	348.00	Manholes	2.03%	-	-	2,761,086	274,860	2,486,226
25		SUBTOTAL COLLECTION AND INFLUENT		\$ 0	\$ 0	\$ 15,779,278	\$ 1,653,822	\$ 14,125,455
GENERAL								
26	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	1.68%	-	-	-	-	0
28	391.00	Office Furniture And Equipment	4.55%	-	-	64,689	43,598	21,091
29	391.10	Computer Equipment	4.55%	-	-	-	3,852	(3,852)
30	392.00	Transportation Equipment	25.00%	-	-	83,876	129,571	(45,695)
31	393.00	Stores Equipment	3.92%	-	-	3,853	2,074	1,779
32	394.00	Tools, Shop And Garage	4.14%	-	-	22,788	10,852	11,936
33	395.00	Laboratory Equipment	3.71%	-	-	16,994	12,368	4,626
34	396.00	Power Operated Equipment	5.14%	-	-	-	-	0
35	397.00	Communication Equipment	10.28%	-	-	2,866	4,306	(1,440)
36	398.00	Miscellaneous Equipment	4.98%	-	-	28,071	16,774	11,297
37		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 223,137	\$ 223,395	\$ (258)
38		AFUDC ADJUSTMENT 3/95	3.55%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding		-	-	-	-	0
40		TOTAL WASTEWATER PLANT		\$ 0	\$ 0	\$ 28,670,517	\$ 6,047,214	\$ 22,623,303

References:

Column (A): Prior Decision No. 60172 And Company Schedule C-2, Page 6  
Column (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule RLM-4, Page 2  
Column (E): Schedule RLM-4, Page 3  
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES CONT'D  
FROM MARCH 31, 1995 TO DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,427	-	1,427
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,505</u>	<u>\$ 0</u>	<u>\$ 5,505</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	75,934	-	-	89,652	2,428,700	678,284	1,750,416
7	312.00	Preliminary Treatment	52,645	-	-	40,617	1,109,432	403,115	706,317
8	313.00	Primary Treatment Equipment	129,617	-	-	34,795	992,663	303,683	688,981
9	314.00	Secondary Treatment Equip.	56,634	-	-	160,682	4,313,180	1,744,082	2,569,098
10	315.00	Tertiary Equipment	35,276	-	-	86,848	2,333,589	859,066	1,474,523
11	316.00	Disinfection Equipment	-	200	-	7,977	212,423	130,445	81,978
12	317.00	Effluent Lift Station E	-	2,738	-	20,031	313,850	155,468	158,382
13	318.00	Outfall Line	-	-	-	3,427	91,379	31,587	59,791
14	319.00	Sludge, Treatment & Dist.	5,220	-	-	24,266	649,714	325,463	324,252
15	321.00	Influent Lift Station	802	-	-	1,089	17,688	4,236	13,452
16	322.00	General Treatment Equipment	15,374	-	-	8,175	225,691	9,190	216,501
17		SUBTOTAL TREAT. & DIS.	<u>\$ 371,502</u>	<u>\$ 2,939</u>	<u>\$ 0</u>	<u>\$ 477,560</u>	<u>\$ 13,031,160</u>	<u>\$ 4,644,618</u>	<u>\$ 8,386,542</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	-	172,877	-	6,595	267,267	(161,731)	428,998
20	342.00	Collection System Lift	9,167	-	-	51,799	826,784	396,624	430,160
21	343.00	Collection Mains	368,683	-	-	135,818	9,061,366	911,147	8,150,219
22	344.00	Force Mains	-	-	-	11,282	726,687	64,346	662,341
23	345.00	Discharge Services	179,842	-	-	36,877	2,500,156	238,071	2,262,085
24	348.00	Manholes	199,737	-	-	43,558	2,960,823	318,418	2,642,405
25		SUBTOTAL COLL. & INFLU.	<u>\$ 757,429</u>	<u>\$ 172,877</u>	<u>\$ 0</u>	<u>\$ 285,929</u>	<u>\$ 16,363,830</u>	<u>\$ 1,766,874</u>	<u>\$ 14,596,955</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	-	-	-	0
28	391.00	Office Furniture & Equipment	2,146	-	-	2,242	66,835	45,840	20,995
29	391.10	Computer Equipment	-	-	-	-	-	3,852	(3,852)
30	392.00	Transportation Equipment	832	-	-	15,805	84,708	145,375	(60,667)
31	393.00	Stores Equipment	56	-	-	114	3,909	2,188	1,721
32	394.00	Tools, Shop And Garage	3,947	-	-	768	26,735	11,620	15,114
33	395.00	Laboratory Equipment	1,411	-	-	492	18,405	12,860	5,544
34	396.00	Power Operated Equipment	-	-	-	-	-	-	0
35	397.00	Communication Equipment	-	-	-	221	2,866	4,527	(1,661)
36	398.00	Miscellaneous Equipment	-	-	-	1,048	28,071	17,823	10,248
37		SUBTOTAL GENERAL	<u>\$ 8,391</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,690</u>	<u>\$ 231,528</u>	<u>\$ 244,085</u>	<u>\$ (12,557)</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		TOTAL WASTEWATER PLT	<u>\$ 1,137,322</u>	<u>\$ 175,816</u>	<u>\$ 0</u>	<u>\$ 784,179</u>	<u>\$ 29,632,023</u>	<u>\$ 6,655,577</u>	<u>\$ 22,976,446</u>

References:

Columns (A) (B): Company Schedule B-2, Page 6a

Column (C): Intentionally Left Blank

Column (D):  $0.75 \times [(\text{Col. (A)} + \text{Col. (B)}) \times \text{RLM-4, Page 4, Col. (A)} \times 1/2 \text{ yr. conv.}] + [\text{RLM-4, Page 4, Col. (D)} - \text{Col. (C)}] \times \text{RLM-4, Page 4, Col. (A)}$

Column (E): Schedule RLM-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,427	-	1,427
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,505</u>	<u>\$ 0</u>	<u>\$ 5,505</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	60,969	-	-	122,959	2,489,669	801,243	1,688,426
7	312.00	Preliminary Treatment	8,786	-	-	55,691	1,118,218	458,806	659,412
8	313.00	Primary Treatment Equipment	12,003	-	-	49,933	1,004,666	353,616	651,050
9	314.00	Secondary Treatment Equip.	69,995	-	-	217,409	4,383,175	1,961,490	2,421,684
10	315.00	Tertiary Equipment	3,027	-	-	116,755	2,336,616	975,821	1,360,795
11	316.00	Disinfection Equipment	577	-	-	10,636	213,000	141,081	71,919
12	317.00	Effluent Lift Station E	12,511	-	-	26,889	326,361	182,357	144,005
13	318.00	Outfall Line	-	-	-	4,569	91,379	36,156	55,223
14	319.00	Sludge, Treatment & Dist.	193,870	-	-	37,332	843,584	362,795	480,789
15	321.00	Influent Lift Station	3,918	-	-	1,650	21,606	5,886	15,720
16	322.00	General Treatment Equipment	873	-	-	11,306	226,564	20,497	206,067
17		SUBTOTAL TREAT & DIS.	<u>\$ 366,529</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 655,130</u>	<u>\$ 13,397,689</u>	<u>\$ 5,299,748</u>	<u>\$ 8,097,941</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ (0)	\$ 20,747
19	341.00	Structures And Improvements	19,019	-	-	4,622	286,286	(157,109)	443,395
20	342.00	Collection System Lift	570,326	-	-	93,404	1,397,110	490,027	907,083
21	343.00	Collection Mains	234,552	-	-	187,244	9,295,918	1,098,391	8,197,527
22	344.00	Force Mains	-	-	-	15,042	726,687	79,388	647,298
23	345.00	Discharge Services	91,310	-	-	51,935	2,591,467	290,006	2,301,461
24	348.00	Manholes	104,327	-	-	61,164	3,065,150	379,582	2,685,569
25		SUBTOTAL COLL. & INFLU.	<u>\$ 1,019,534</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 413,411</u>	<u>\$ 17,383,365</u>	<u>\$ 2,180,285</u>	<u>\$ 15,203,080</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	-	-	-	0
28	391.00	Office Furniture & Equipment	2,346	-	-	3,091	69,181	48,931	20,250
29	391.10	Computer Equipment	-	-	-	-	-	3,852	(3,852)
30	392.00	Transportation Equipment	-	-	-	21,177	84,708	166,552	(81,844)
31	393.00	Stores Equipment	5,796	-	-	267	9,705	2,455	7,250
32	394.00	Tools, Shop And Garage	8,795	-	-	1,287	35,530	12,908	22,622
33	395.00	Laboratory Equipment	15,353	-	-	968	33,758	13,828	19,930
34	396.00	Power Operated Equipment	3,984	-	-	102	3,984	102	3,882
35	397.00	Communication Equipment	-	-	-	295	2,866	4,822	(1,956)
36	398.00	Miscellaneous Equipment	-	-	-	1,398	28,071	19,221	8,850
37		SUBTOTAL GENERAL	<u>\$ 36,274</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,585</u>	<u>\$ 267,802</u>	<u>\$ 272,669</u>	<u>\$ (4,867)</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		TOTAL WASTEWATER PLT	<u>\$ 1,422,337</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,097,125</u>	<u>\$ 31,054,361</u>	<u>\$ 7,752,703</u>	<u>\$ 23,301,658</u>

References:

Columns (A) (B): Company Schedule B-2, Page 5a

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	55	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	5,184	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	<u>\$ 5,184</u>	<u>\$ 55</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,634</u>	<u>\$ 0</u>	<u>\$ 10,634</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	14,156	-	-	124,837	2,503,825	926,080	1,577,745
7	312.00	Preliminary Treatment	-	48,476	-	57,123	1,069,742	467,453	602,289
8	313.00	Primary Treatment Equipment	69,148	-	-	51,962	1,073,814	405,578	668,236
9	314.00	Secondary Treatment Equip.	33,988	-	-	220,008	4,417,163	2,181,499	2,235,664
10	315.00	Tertiary Equipment	784,974	-	-	136,455	3,121,590	1,112,276	2,009,314
11	316.00	Disinfection Equipment	726	-	-	10,668	213,726	151,749	61,977
12	317.00	Effluent Lift Station E	6,146	-	-	27,673	332,508	210,029	122,479
13	318.00	Outfall Line	-	-	-	4,569	91,379	40,725	50,654
14	319.00	Sludge, Treatment & Dist.	-	1,769	-	42,223	841,815	403,250	438,566
15	321.00	Influent Lift Station	-	542	-	1,838	21,064	7,182	13,882
16	322.00	General Treatment Equipment	6,886	-	-	11,500	233,450	31,997	201,453
17		SUBTOTAL TREAT. & DIS.	<u>\$ 916,025</u>	<u>\$ 50,787</u>	<u>\$ 0</u>	<u>\$ 688,857</u>	<u>\$ 14,262,927</u>	<u>\$ 5,937,818</u>	<u>\$ 8,325,109</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 56	\$ 0	\$ 0	\$ 20,691	\$ (56)	\$ 20,747
19	341.00	Structures And Improvements	-	2,897	-	4,805	283,389	(155,201)	438,590
20	342.00	Collection System Lift	-	89,351	-	121,110	1,307,759	521,786	785,973
21	343.00	Collection Mains	-	75,013	-	190,402	9,220,905	1,213,780	8,007,125
22	344.00	Force Mains	-	-	-	15,042	726,687	94,431	632,256
23	345.00	Discharge Services	-	35,844	-	53,232	2,555,622	307,393	2,248,229
24	348.00	Manholes	-	15,136	-	62,376	3,050,014	426,821	2,623,193
25		SUBTOTAL COLL. & INFLU.	<u>\$ 0</u>	<u>\$ 218,298</u>	<u>\$ 0</u>	<u>\$ 446,967</u>	<u>\$ 17,165,067</u>	<u>\$ 2,408,954</u>	<u>\$ 14,756,113</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	-	-	-	0
28	391.00	Office Furniture & Equipment	-	35,377	-	3,948	33,804	17,502	16,302
29	391.10	Computer Equipment	5,168	-	-	117	5,168	3,969	1,199
30	392.00	Transportation Equipment	-	1,824	-	21,405	82,884	186,133	(103,249)
31	393.00	Stores Equipment	4,201	-	-	463	13,906	2,918	10,988
32	394.00	Tools, Shop And Garage	5,146	-	-	1,576	40,676	14,483	26,192
33	395.00	Laboratory Equipment	11,359	-	-	1,463	45,117	15,291	29,825
34	396.00	Power Operated Equipment	-	-	-	205	3,984	307	3,677
35	397.00	Communication Equipment	4,247	-	-	513	7,113	5,334	1,779
36	398.00	Miscellaneous Equipment	17,633	-	-	1,837	45,704	21,058	24,646
37		SUBTOTAL GENERAL	<u>\$ 47,755</u>	<u>\$ 37,201</u>	<u>\$ 0</u>	<u>\$ 31,527</u>	<u>\$ 278,355</u>	<u>\$ 266,995</u>	<u>\$ 11,360</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		<b>TOTAL WASTEWATER PLT</b>	<u><b>\$ 968,964</b></u>	<u><b>\$ 306,341</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 1,167,351</b></u>	<u><b>\$ 31,716,983</b></u>	<u><b>\$ 8,613,767</b></u>	<u><b>\$ 23,103,216</b></u>

References:

Columns (A) (B): Company Schedule B-2, Page 6b

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	-	-	-	-	5,184	-	5,184
4		<b>SUBTOTAL INTANGIBLE</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,634</u>	<u>\$ 0</u>	<u>\$ 10,634</u>
<b>TREATMENT AND DISCHARGE</b>									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	82,151	-	-	127,245	2,585,976	1,053,325	1,532,651
7	312.00	Preliminary Treatment	8,683	-	-	53,704	1,078,425	521,157	557,268
8	313.00	Primary Treatment Equipment	-	21,485	-	54,228	1,052,329	438,321	614,008
9	314.00	Secondary Treatment Equip.	52,335	-	-	222,167	4,469,498	2,403,665	2,065,832
10	315.00	Tertiary Equipment	305,362	-	-	163,714	3,426,952	1,275,990	2,150,962
11	316.00	Disinfection Equipment	4,849	-	-	10,808	218,575	162,556	56,019
12	317.00	Effluent Lift Station E	-	901	-	27,968	331,607	237,097	94,510
13	318.00	Outfall Line	-	-	-	4,569	91,379	45,294	46,085
14	319.00	Sludge, Treatment & Dist.	50,579	-	-	43,355	892,394	446,605	445,789
15	321.00	Influent Lift Station	-	3,675	-	1,924	17,389	5,431	11,958
16	322.00	General Treatment Equipment	22,550	-	-	12,236	256,000	44,233	211,767
17		<b>SUBTOTAL TREAT. &amp; DIS.</b>	<u>\$ 526,509</u>	<u>\$ 26,061</u>	<u>\$ 0</u>	<u>\$ 721,917</u>	<u>\$ 14,763,375</u>	<u>\$ 6,633,674</u>	<u>\$ 8,129,701</u>
<b>COLLECTION AND INFLUENT</b>									
18	340.00	Land And Land Rights	\$ 56	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	70	-	-	4,733	283,459	(150,467)	433,927
20	342.00	Collection System Lift	857	-	-	109,888	1,308,616	631,674	676,942
21	343.00	Collection Mains	46,719	-	-	188,583	9,267,624	1,402,363	7,865,261
22	344.00	Force Mains	-	-	-	15,042	726,687	109,473	617,214
23	345.00	Discharge Services	551	-	-	52,140	2,556,173	359,533	2,196,640
24	348.00	Manholes	14,204	-	-	62,059	3,064,218	488,881	2,575,337
25		<b>SUBTOTAL COLL. &amp; INFLU.</b>	<u>\$ 62,457</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 432,446</u>	<u>\$ 17,227,524</u>	<u>\$ 2,841,456</u>	<u>\$ 14,386,067</u>
<b>GENERAL</b>									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	-	-	-	0
28	391.00	Office Furniture & Equipment	110,466	-	-	5,548	144,270	23,050	121,220
29	391.10	Computer Equipment	-	-	-	-	5,168	3,969	1,199
30	392.00	Transportation Equipment	341	-	-	21,219	83,225	207,352	(124,127)
31	393.00	Stores Equipment	58	-	-	154	13,964	3,072	10,892
32	394.00	Tools, Shop And Garage	5,166	-	-	1,212	45,842	15,696	30,146
33	395.00	Laboratory Equipment	-	3,108	-	740	42,009	12,924	29,085
34	396.00	Power Operated Equipment	-	-	-	-	3,984	307	3,677
35	397.00	Communication Equipment	311,693	-	-	16,312	318,806	21,647	297,159
36	398.00	Miscellaneous Equipment	24,547	-	-	2,009	70,251	23,067	47,184
37		<b>SUBTOTAL GENERAL</b>	<u>\$ 452,271</u>	<u>\$ 3,108</u>	<u>\$ 0</u>	<u>\$ 47,196</u>	<u>\$ 727,518</u>	<u>\$ 311,083</u>	<u>\$ 416,435</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		<b>TOTAL WASTEWATER PLT</b>	<u>\$ 1,041,237</u>	<u>\$ 29,169</u>	<u>\$ 0</u>	<u>\$ 1,201,559</u>	<u>\$ 32,729,051</u>	<u>\$ 9,786,214</u>	<u>\$ 22,942,837</u>

References:

Columns (A) (B): Company Schedule B-2, Page 6b

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	-	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,634</u>	<u>\$ 0</u>	<u>\$ 10,634</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 342,851	\$ 0	\$ 342,851
6	311.00	Structures And Improvements	-	-	-	129,299	2,585,976	1,182,624	1,403,352
7	312.00	Preliminary Treatment	-	-	-	55,472	1,078,425	458,586	619,839
8	313.00	Primary Treatment Equipment	-	-	-	49,633	1,052,329	353,316	699,013
9	314.00	Secondary Treatment Equip.	392,870	-	-	225,481	4,862,368	1,969,562	2,892,806
10	315.00	Tertiary Equipment	241,617	-	-	122,720	3,668,569	981,786	2,686,783
11	316.00	Disinfection Equipment	-	-	-	10,621	218,575	141,066	77,509
12	317.00	Effluent Lift Station E	1,118	-	-	26,410	332,725	181,878	150,847
13	318.00	Outfall Line	-	-	-	4,569	91,379	36,156	55,223
14	319.00	Sludge, Treatment & Dist.	13,869	-	-	32,832	906,263	358,295	547,968
15	321.00	Influent Lift Station	1,558	-	-	1,551	18,947	5,787	13,160
16	322.00	General Treatment Equipment	-	-	-	11,285	256,000	20,475	235,525
17		SUBTOTAL TREAT. & DIS.	<u>\$ 651,032</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 669,873</u>	<u>\$ 15,414,407</u>	<u>\$ 5,689,532</u>	<u>\$ 9,724,875</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	-	-	-	4,734	283,460	(145,734)	429,193
20	342.00	Collection System Lift	105	-	-	109,928	1,308,720	741,602	567,118
21	343.00	Collection Mains	15,371	-	-	189,216	9,282,994	1,591,579	7,691,415
22	344.00	Force Mains	-	-	-	15,042	726,686	124,515	602,171
23	345.00	Discharge Services	1,451	-	-	52,161	2,557,625	411,694	2,145,931
24	348.00	Manholes	10,365	-	-	62,309	3,074,584	551,190	2,523,394
25		SUBTOTAL COLL. & INFLU.	<u>\$ 27,293</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 433,390</u>	<u>\$ 17,254,816</u>	<u>\$ 3,274,846</u>	<u>\$ 13,979,969</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	250,266	-	-	2,103	250,266	2,103	248,163
28	391.00	Office Furniture & Equipment	1,723	-	-	6,596	145,993	29,646	116,347
29	391.10	Computer Equipment	-	-	-	235	5,168	4,204	964
30	392.00	Transportation Equipment	-	-	-	20,806	83,225	228,158	(144,933)
31	393.00	Stores Equipment	-	-	-	547	13,964	3,619	10,345
32	394.00	Tools, Shop And Garage	14,040	-	-	2,186	59,882	17,881	42,000
33	395.00	Laboratory Equipment	16,704	-	-	1,868	58,712	14,792	43,920
34	396.00	Power Operated Equipment	-	-	-	205	3,984	512	3,472
35	397.00	Communication Equipment	-	-	-	32,766	318,807	54,413	264,394
36	398.00	Miscellaneous Equipment	-	-	-	3,498	70,250	26,565	43,685
37		SUBTOTAL GENERAL	<u>\$ 282,732</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,812</u>	<u>\$ 1,010,251</u>	<u>\$ 381,895</u>	<u>\$ 628,356</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		<b>TOTAL WASTEWATER PLT</b>	<u><b>\$ 961,057</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 1,174,075</b></u>	<u><b>\$ 33,690,108</b></u>	<u><b>\$ 9,346,274</b></u>	<u><b>\$ 24,343,834</b></u>

References:

Columns (A) (B): Company Schedule B-2, Page 6b

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 8, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 8, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	-	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,634</u>	<u>\$ 0</u>	<u>\$ 10,634</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 199,468	\$ 0	\$ 0	\$ 0	\$ 542,319	\$ 0	\$ 542,319
6	311.00	Structures And Improvements	11,819	18,140	-	130,048	2,579,655	1,294,532	1,285,123
7	312.00	Preliminary Treatment	13	-	-	53,922	1,078,438	512,508	565,930
8	313.00	Primary Treatment Equipment	-	628	-	52,632	1,051,701	405,320	646,381
9	314.00	Secondary Treatment Equip.	825,309	173,914	-	268,099	5,513,763	2,063,747	3,450,016
10	315.00	Tertiary Equipment	1,558,885	520,449	-	235,412	4,707,005	696,749	4,010,256
11	316.00	Disinfection Equipment	20,223	367	-	11,444	238,431	152,143	86,288
12	317.00	Effluent Lift Station E	661,100	921	-	55,754	992,904	236,711	756,193
13	318.00	Outfall Line	-	-	-	4,569	91,379	40,725	50,654
14	319.00	Sludge, Treatment & Dist.	429,894	13,600	-	56,401	1,322,557	401,096	921,462
15	321.00	Influent Lift Station	1,101	344	-	1,652	19,704	7,095	12,609
16	322.00	General Treatment Equipment	636,165	690	-	28,721	891,475	48,506	842,969
17		SUBTOTAL TREAT. & DIS.	<u>\$ 4,343,977</u>	<u>\$ 729,053</u>	<u>\$ 0</u>	<u>\$ 898,653</u>	<u>\$ 19,029,332</u>	<u>\$ 5,859,132</u>	<u>\$ 13,170,200</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	-	-	-	4,734	283,460	(141,000)	424,460
20	342.00	Collection System Lift	141,295	-	-	115,867	1,450,015	857,469	592,546
21	343.00	Collection Mains	148,361	1,704	-	190,904	9,429,651	1,780,779	7,648,872
22	344.00	Force Mains	-	-	-	15,042	726,686	139,558	587,128
23	345.00	Discharge Services	3,766	53	-	52,214	2,561,338	463,907	2,097,431
24	348.00	Manholes	15,400	365	-	62,574	3,089,618	613,764	2,475,855
25		SUBTOTAL COLL. & INFLU.	<u>\$ 308,822</u>	<u>\$ 2,122</u>	<u>\$ 0</u>	<u>\$ 441,335</u>	<u>\$ 17,561,515</u>	<u>\$ 3,714,476</u>	<u>\$ 13,847,039</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	1,249,834	-	-	14,710	1,500,100	16,813	1,483,287
28	391.00	Office Furniture & Equipment	-	-	-	6,635	145,993	36,282	109,711
29	391.10	Computer Equipment	33,277	-	-	991	38,445	5,195	33,250
30	392.00	Transportation Equipment	37,990	25,429	-	28,733	95,786	231,463	(135,677)
31	393.00	Stores Equipment	-	-	-	547	13,964	4,167	9,797
32	394.00	Tools, Shop And Garage	489	879	-	2,504	59,492	19,507	39,985
33	395.00	Laboratory Equipment	2,828	2,704	-	2,281	58,836	15,966	42,870
34	396.00	Power Operated Equipment	8,970	-	-	436	12,954	948	12,006
35	397.00	Communication Equipment	-	-	-	32,766	318,807	87,179	231,628
36	398.00	Miscellaneous Equipment	-	-	-	3,498	70,250	30,064	40,187
37		SUBTOTAL GENERAL	<u>\$ 1,333,388</u>	<u>\$ 29,012</u>	<u>\$ 0</u>	<u>\$ 93,103</u>	<u>\$ 2,314,627</u>	<u>\$ 447,583</u>	<u>\$ 1,867,044</u>
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	-	-	0
40		<b>TOTAL WASTEWATER PLT</b>	<u><b>\$ 5,986,187</b></u>	<u><b>\$ 760,187</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 1,433,091</b></u>	<u><b>\$ 38,916,108</b></u>	<u><b>\$ 10,021,191</b></u>	<u><b>\$ 28,894,917</b></u>

References:

Columns (A) (B): Company Schedule B-2, Page 6c

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	-	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	-	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,634	\$ 0	\$ 10,634
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 542,319	\$ 0	\$ 542,319
6	311.00	Structures And Improvements	45,757	14,548	-	130,490	2,610,864	1,410,474	1,200,390
7	312.00	Preliminary Treatment	2,014	35,691	-	54,865	1,044,761	531,681	513,080
8	313.00	Primary Treatment Equipment	12,722	-	-	52,903	1,064,423	458,224	606,200
9	314.00	Secondary Treatment Equip	104,516	1,203	-	278,331	5,617,076	2,340,876	3,276,200
10	315.00	Tertiary Equipment	-	8,406	-	235,560	4,698,598	923,903	3,774,695
11	316.00	Disinfection Equipment	1,772	213,110	-	17,294	27,094	(43,673)	70,767
12	317.00	Effluent Lift Station E	-	-	-	83,404	992,904	320,115	672,789
13	318.00	Outfall Line	-	-	-	4,569	91,379	45,294	46,085
14	319.00	Sludge, Treatment & Dist.	-	-	-	66,128	1,322,557	467,223	855,334
15	321.00	Influent Lift Station	71,231	-	-	4,647	90,935	11,742	79,193
16	322.00	General Treatment Equipment	2,987	-	-	44,648	894,462	93,155	801,308
17		SUBTOTAL TREAT & DIS.	\$ 240,999	\$ 272,958	\$ 0	\$ 972,839	\$ 18,997,373	\$ 6,559,013	\$ 12,438,360
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	-	-	-	4,734	283,460	(136,266)	419,726
20	342.00	Collection System Lift	-	123,386	-	126,983	1,326,629	861,066	465,563
21	343.00	Collection Mains	44,572	-	-	192,820	9,474,223	1,973,598	7,500,625
22	344.00	Force Mains	-	-	-	15,042	726,686	154,601	572,085
23	345.00	Discharge Services	-	-	-	52,251	2,561,338	516,158	2,045,180
24	348.00	Manholes	-	-	-	62,719	3,089,618	676,483	2,413,135
25		SUBTOTAL COLL. & INFLU.	\$ 44,572	\$ 123,386	\$ 0	\$ 454,550	\$ 17,482,701	\$ 4,045,640	\$ 13,437,061
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	303,984	-	27,768	1,196,116	(259,403)	1,455,519
28	391.00	Office Furniture & Equipment	-	3,279	-	6,710	142,714	39,713	103,001
29	391.10	Computer Equipment	-	4,378	-	1,847	34,067	2,664	31,403
30	392.00	Transportation Equipment	141,241	2,275	-	41,886	234,752	271,074	(36,322)
31	393.00	Stores Equipment	-	2,694	-	600	11,270	2,073	9,197
32	394.00	Tools, Shop And Garage	48,768	3,616	-	3,543	104,644	19,434	85,210
33	395.00	Laboratory Equipment	4,923	7,350	-	2,410	56,409	11,026	45,383
34	396.00	Power Operated Equipment	-	-	-	666	12,955	1,614	11,340
35	397.00	Communication Equipment	-	-	-	32,766	318,807	119,946	198,861
36	398.00	Miscellaneous Equipment	-	-	-	3,498	70,250	33,563	36,688
37		SUBTOTAL GENERAL	\$ 194,932	\$ 327,576	\$ 0	\$ 121,696	\$ 2,181,983	\$ 241,703	\$ 1,940,280
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	-	-	(2)	2	0
40		TOTAL WASTEWATER PLT	\$ 480,503	\$ 723,920	\$ 0	\$ 1,549,084	\$ 38,672,689	\$ 10,846,359	\$ 27,826,334

References:

Columns (A) (B): Company Schedule B-2, Page 6c

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 10, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 10, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 10, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA-AMERICAN

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRE-ACQUISITION TOTAL PLANT VALUE	(B) ACCUM. DEP.	(C) ADJUSTMENTS TOTAL PLANT VALUE	(D) ACCUM. DEP.	(E) POST-ACQUISITION TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 4,078	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	1,372	-	-	-	1,372	-	1,372
3	303.00	Miscellaneous Intangibles	5,184	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	\$ 10,634	\$ 0	\$ 0	\$ 0	\$ 10,634	\$ 0	\$ 10,634
		TREATMENT AND DISCHARGE							
5	310.00	Land And Land Rights	\$ 542,319	\$ 0	\$ 0	\$ 0	\$ 542,319	\$ 0	\$ 542,319
6	311.00	Structures & Improvements	2,610,864	1,410,474	-	-	2,610,864	1,410,474	1,200,390
7	312.00	Preliminary Treatment	1,044,761	531,681	-	-	1,044,761	531,681	513,080
8	313.00	Primary Treatment Equip.	1,064,423	458,224	-	-	1,064,423	458,224	606,200
9	314.00	Secondary Treatment Equip.	5,617,076	2,340,876	-	-	5,617,076	2,340,876	3,276,200
10	315.00	Tertiary Equipment	4,698,598	923,903	-	-	4,698,598	923,903	3,774,695
11	316.00	Disinfection Equipment	27,094	(43,673)	-	-	27,094	(43,673)	70,767
12	317.00	Effluent Lift Station E	992,904	320,115	-	-	992,904	320,115	672,789
13	318.00	Outfall Line	91,379	45,294	-	-	91,379	45,294	46,085
14	319.00	Sludge, Treatment & Dist.	1,322,557	467,223	-	-	1,322,557	467,223	855,334
15	321.00	Influent Lift Station	90,935	11,742	-	-	90,935	11,742	79,193
16	322.00	General Treatment Equip.	894,462	93,155	-	-	894,462	93,155	801,308
17		SUBTOTAL TREAT. & DIS.	\$ 18,997,373	\$ 6,559,013	\$ 0	\$ 0	\$ 18,997,373	\$ 6,559,013	\$ 12,438,360
		COLLECTION AND INFLUENT							
18	340.00	Land And Land Rights	\$ 20,747	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures & Improvements	283,460	(136,266)	-	-	283,460	(136,266)	419,726
20	342.00	Collection System Lift	1,326,629	861,066	-	-	1,326,629	861,066	465,563
21	343.00	Collection Mains	9,474,223	1,973,598	-	-	9,474,223	1,973,598	7,500,625
22	344.00	Force Mains	726,686	154,601	-	-	726,686	154,601	572,085
23	345.00	Discharge Services	2,561,338	516,158	-	-	2,561,338	516,158	2,045,180
24	348.00	Manholes	3,089,618	676,483	-	-	3,089,618	676,483	2,413,135
25		SUB COLL. & INFLU.	\$ 17,482,701	\$ 4,045,640	\$ 0	\$ 0	\$ 17,482,701	\$ 4,045,640	\$ 13,437,061
		GENERAL							
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ (780)	\$ 0	\$ 780	\$ 0	\$ 780
27	390.00	Structures & Improvements	1,196,116	(259,403)	660,613	(330,011)	535,503	70,608	464,895
28	391.00	Office Furniture & Equip.	142,714	39,713	(16,801)	(42,143)	159,515	81,856	77,659
29	391.10	Computer Equipment	34,067	2,664	(194,312)	101,368	228,379	(98,704)	327,083
30	392.00	Transportation Equipment	234,752	271,074	(52,637)	35,347	287,389	235,727	51,662
31	393.00	Stores Equipment	11,270	2,073	6,677	306	4,593	1,767	2,826
32	394.00	Tools, Shop And Garage	104,644	19,434	38,921	15,293	65,723	4,141	61,582
33	395.00	Laboratory Equipment	56,409	11,026	35,590	5,814	20,819	5,212	15,607
34	396.00	Power Operated Equipment	12,955	1,614	(5,284)	(8,107)	19,239	9,721	9,518
35	397.00	Communication Equipment	318,807	119,946	226,472	44,425	92,335	75,521	16,814
36	398.00	Miscellaneous Equipment	70,250	33,563	25,944	4,396	44,306	29,167	15,139
37		SUBTOTAL GENERAL	\$ 2,181,983	\$ 241,703	\$ 723,402	\$ (173,313)	\$ 1,458,580	\$ 415,016	\$ 1,043,565
39		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
40		Adjustm't Due To Rounding	-	-	-	-	-	-	0
41		TOT. WASTEWTR PLT	\$ 38,672,691	\$ 10,846,357	\$ 723,402	\$ (173,313)	\$ 37,949,288	\$ 11,019,669	\$ 26,929,619
42		Company As Filed B-2					38,810,451	13,515,241	
43		Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-3, Col (B), Lines 1 & 2)					\$ (861,163)	\$ (2,495,572)	

References:

Column (A): Schedule RLM-4, Page 11, Column (E)

Column (B): Schedule RLM-4, Page 11, Column (F)

Columns (C) (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water's Common Plant Allocation As Per Company Schedule B-2, Pg 2

Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3

Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3

Column (G): Column (E) - Column (F)

POST-TEST YEAR 2001 PLANT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ACTUAL PLANT ADDIT'NS	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOS'G	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078	\$ 0	\$ 4,078
2	302.00	Franchises	-	78,774	-	-	80,146	-	80,146
3	303.00	Miscellaneous Intangibles	-	-	-	-	5,184	-	5,184
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 78,774	\$ 0	\$ 0	\$ 89,408	\$ 0	\$ 89,408
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 542,319	\$ 0	\$ 542,319
6	311.00	Structures And Improvements	-	-	67,369	-	2,610,864	1,477,843	1,133,021
7	312.00	Preliminary Treatment	-	-	26,713	-	1,044,761	558,394	486,367
8	313.00	Primary Treatment Equipment	-	-	27,093	-	1,064,423	485,317	579,107
9	314.00	Secondary Treatment Equip.	-	-	142,804	-	5,617,076	2,483,680	3,133,396
10	315.00	Tertiary Equipment	-	1,336,791	644,863	33,420	6,035,389	1,602,186	4,433,203
11	316.00	Disinfection Equipment	-	-	6,124	-	27,094	(37,549)	64,643
12	317.00	Effluent Lift Station E	-	-	42,165	-	992,904	362,280	630,624
13	318.00	Outfall Line	18,461	-	2,366	462	109,840	48,121	61,719
14	319.00	Sludge, Treatment & Dist.	-	(1,337,304)	(492,725)	(33,433)	(14,747)	(58,934)	44,187
15	321.00	Influent Lift Station	-	-	3,843	-	90,935	15,585	75,350
16	322.00	General Treatment Equipment	-	-	22,542	-	894,462	115,697	778,766
17		SUBTOTAL TREAT. & DIS.	\$ 18,461	\$ (513)	\$ 493,157	\$ 449	\$ 19,015,321	\$ 7,052,619	\$ 11,962,702
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,747	\$ 0	\$ 20,747
19	341.00	Structures And Improvements	-	(299,361)	(46,184)	(2,500)	(15,901)	(184,950)	169,049
20	342.00	Collection System Lift	-	-	56,936	-	1,326,629	918,002	408,627
21	343.00	Collection Mains	56	3,189,365	1,107,398	32,532	12,663,644	3,113,528	9,550,116
22	344.00	Force Mains	-	-	7,790	-	726,686	162,391	564,295
23	345.00	Discharge Services	-	-	26,969	-	2,561,338	543,127	2,018,211
24	348.00	Manholes	-	(3,189,365)	(975,240)	(32,372)	(99,747)	(331,129)	231,383
25		SUBTOTAL COLL. & INFLU.	\$ 56	\$ (299,361)	\$ 177,669	\$ (2,340)	\$ 17,183,396	\$ 4,220,969	\$ 12,962,426
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 780	\$ 0	\$ 780
27	390.00	Structures And Improvements	22,137	299,361	48,683	2,702	857,001	121,993	735,008
28	391.00	Office Furniture & Equipment	104,170	34,067	2,851	3,141	297,752	87,848	209,904
29	391.10	Computer Equipment	-	(34,067)	1,205	(774)	194,312	(98,273)	292,585
30	392.00	Transportation Equipment	-	-	29,332	-	287,389	265,059	22,330
31	393.00	Stores Equipment	-	-	220	-	4,593	1,987	2,606
32	394.00	Tools, Shop And Garage	1,620	-	2,314	33	67,343	6,488	60,855
33	395.00	Laboratory Equipment	-	-	1,046	-	20,819	6,258	14,561
34	396.00	Power Operated Equipment	-	-	325	-	19,239	10,046	9,193
35	397.00	Communication Equipment	59,673	-	16,412	3,067	152,008	95,000	57,008
36	398.00	Miscellaneous Equipment	-	-	1,791	-	44,306	30,958	13,348
37		SUBTOTAL GENERAL	\$ 187,600	\$ 299,361	\$ 104,179	\$ 8,169	\$ 1,945,542	\$ 527,364	\$ 1,418,178
38		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		Adjustment Due To Rounding	-	-	(1)	-	-	-	0
40		TOTAL WASTEWATER PLT	\$ 206,117	\$ 78,261	\$ 775,004	\$ 6,279	\$ 38,233,667	\$ 11,800,953	\$ 26,432,714
41		Company As Filed B-2					39,101,812	14,290,245	
42		Difference In Post Test Year Gross Plant					\$ (868,145)	\$ (2,489,292)	
43		Adjustment To Test Year Gross Plant As Per RLM-4, Page 12, Cols (E) And (F), L 43					(861,163)	(2,495,572)	
45		Adjustment To Post Test Year Total Plant And Acc. Dep. (See RLM-3, Col (C), L 1 & L 2)					\$ (6,982)	\$ 6,279	

References:

Column (A): Company Response To Staff Request Nos. 12-1 Thru 12-3

Columns (B) (C): Company Schedule B-2, Pages 1 And 8

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 12, Col. (E)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 12, Column (D) + Column (A) + Column (B)

Column (F): Schedule RLM-4, Page 12, Column (F) + Column (C) + Column (D)

Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'TMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Flat Rate Revenues	\$ 3,534,678	\$ 0	\$ 3,534,678	\$ 1,027,392	\$ 4,562,070
2						
3	Other Wastewater Revenues	1,002	-	1,002	-	1,002
4	TOTAL OPERATING REVENUES	<u>\$ 3,535,680</u>	<u>\$ 0</u>	<u>\$ 3,535,680</u>	<u>\$ 1,027,392</u>	<u>\$ 4,563,072</u>
OPERATING EXPENSES:						
5	Salaries And Wages	\$ 607,304	\$ (268,029)	\$ 339,275	\$ 0	\$ 339,275
6	Purchased Wastewater Treatment	0	-	-	-	0
7	Purchased Power	1,426	-	1,426	-	1,426
8	Fuel For Power Production	0	-	-	-	0
9	Chemicals	375,064	-	375,064	-	375,064
10	Material And Supplies	392,206	-	392,206	-	392,206
11	Repairs And Maintenance	0	-	-	-	0
12	Office Supplies And Expense	136,282	22,680	158,962	-	158,962
13	Outside Services	(14,005)	-	(14,005)	-	(14,005)
14	Service Company Charges	552,478	(84,377)	468,101	-	468,101
15	Water Testing	0	-	-	-	0
16	Rents	91,410	-	91,410	-	91,410
17	Transportation Expenses	0	-	-	-	0
18	Insurance - General Liability	24,187	(7,229)	16,958	-	16,958
19	Insurance - Health And Life	0	-	-	-	0
20	Regulatory Comm. Exp. - Rate Case	23,335	(9,369)	13,966	-	13,966
21	Miscellaneous Expense	243,134	318	243,452	-	243,452
22	Depreciation Expense	1,432,265	(51,680)	1,380,585	-	1,380,585
23	Taxes Other Than Income	36,253	(10,671)	25,582	-	25,582
24	Property Taxes	168,501	(26,892)	141,609	-	141,609
25	Income Tax	(369,763)	213,704	(156,059)	396,562	240,503
26	Adjustment Due To Rounding	2	-	-	2	0
27	TOTAL OPERATING EXPENSES	<u>\$ 3,700,079</u>	<u>\$ (221,543)</u>	<u>\$ 3,478,534</u>	<u>\$ 396,564</u>	<u>\$ 3,875,096</u>
28	OPERATING INCOME (LOSS)	<u>\$ (164,399)</u>	<u>\$ 221,543</u>	<u>\$ 57,146</u>	<u>\$ 630,828</u>	<u>\$ 687,977</u>
Other Income (Expense):						
29	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
30	Other Income	0	-	-	-	0
31	Interest Expense	(423,801)	118,405	(305,396)	-	(305,396)
32	Other Expense	0	-	-	-	0
33	Gain/Loss Sale Of Assets	0	-	-	-	0
34	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (423,801)</u>	<u>\$ 118,405</u>	<u>\$ (305,396)</u>	<u>\$ 0</u>	<u>\$ (305,396)</u>
35	NET PROFIT (LOSS)	<u>\$ (588,200)</u>	<u>\$ 339,948</u>	<u>\$ (248,250)</u>	<u>\$ 630,828</u>	<u>\$ 382,580</u>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony, RLM And Schedule RLM-7  
Column (C): Column (A) + Column (B)  
Column (D): Testimony, RLM And Schedule RLM-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS  
TEST YEAR AS FILED AND ADJUSTED

LINE NO	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) FUCO AS ADJ'D
1	OPERATING REVENUES:												
2	Flat Rate Revenues	\$ 3,534,678	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,534,678
3	Other Wastewater Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	TOTAL OPERATING REVENUES	\$ 3,535,680	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,535,680
5	OPERATING EXPENSES:												
6	Salaries And Wages	\$ 607,304	\$ 0	\$ 0	\$ 0	\$ (139,491)	\$ 0	\$ 0	\$ 0	\$ (128,538)	\$ 0	\$ 0	\$ 339,275
7	Purchased Wastewater Treatment	0	-	-	-	-	-	-	-	-	-	-	0
8	Purchased Power	1,426	-	-	-	-	-	-	-	-	-	-	1,426
9	Fuel For Power Production	0	-	-	-	-	-	-	-	-	-	-	0
10	Chemicals	375,064	-	-	-	-	-	-	-	-	-	-	375,064
11	Material And Supplies	392,206	-	-	-	-	-	-	-	-	-	-	392,206
12	Repairs And Maintenance	0	-	-	-	-	-	-	-	-	-	-	0
13	Office Supplies And Expenses	136,282	-	-	-	-	-	-	-	22,680	-	-	158,962
14	Outside Services	(14,005)	-	-	-	-	-	-	-	-	-	-	(14,005)
15	Service Company Charges	552,478	-	-	(84,377)	-	-	-	-	-	-	-	468,101
16	Water Testing	0	-	-	-	-	-	-	-	-	-	-	0
17	Rents	91,410	-	-	-	-	-	-	-	-	-	-	91,410
18	Transportation Expenses	0	-	-	-	-	-	-	-	-	-	-	0
19	Insurance - General Liability	24,187	-	-	-	-	-	-	-	(7,229)	-	-	16,958
20	Insurance - Health And Life	0	-	-	-	-	-	-	-	-	-	-	0
21	Regulatory Comm. Exp. - Rate Case	23,335	-	-	-	-	-	-	(9,369)	-	-	-	13,966
22	Miscellaneous Expense	243,134	-	-	-	-	-	-	-	318	-	-	243,452
23	Depreciation Expense	1,432,265	-	-	-	-	(51,680)	-	-	-	-	-	1,380,585
24	Taxes Other Than Income	36,253	-	-	-	(10,671)	-	(26,892)	-	-	-	-	25,582
25	Property Taxes	168,501	-	-	-	-	-	-	-	-	-	-	141,609
26	Income Tax	(369,763)	-	-	-	-	-	-	-	-	-	-	(156,059)
27	Adjustment Due To Rounding	2	-	-	-	-	-	-	-	-	-	213,704	-
28	TOTAL OPERATING EXPENSES	\$ 3,700,079	\$ 0	\$ 0	\$ (84,377)	\$ (150,162)	\$ (51,680)	\$ (26,892)	\$ (9,369)	\$ (112,768)	\$ 0	\$ 213,704	\$ 3,478,534
	OPERATING INCOME (LOSS)	\$ (164,399)	\$ 0	\$ 0	\$ 84,377	\$ 150,162	\$ 51,680	\$ 26,892	\$ 9,369	\$ 112,768	\$ 0	\$ (213,704)	\$ 57,146
29	Other Income (Expense):												
30	Interest Income	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
31	Other Income	(423,801)	-	-	-	-	-	-	-	-	129,520	-	(294,281)
32	Interest Expense	0	-	-	-	-	-	-	-	-	-	-	0
33	Other Expense	0	-	-	-	-	-	-	-	-	-	-	0
34	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
	TOTAL OTHER INCOME (EXPENSE)	\$ (423,801)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,520	\$ 0	\$ (294,281)
35	NET PROFIT (LOSS)	\$ (588,200)	\$ 0	\$ 0	\$ 84,377	\$ 150,162	\$ 51,680	\$ 26,892	\$ 9,369	\$ 112,768	\$ 129,520	\$ (213,704)	\$ (237,135)
	ADJUSTMENT NO.												
1	Intentionally Left Blank												
2	Remove Test Year Salaries And Wages												
3	Service Company Fees												
4	Projected Salaries And Wages												
5	Depreciation Expense												
6	Property Taxes												
7	Rate Case Expense												
8	Projected Additional Corporate Overhead Expenses												
9	Intentionally Left Blank												
10	Income Tax												

Testimony, RLM And Schedule RLM-8  
Testimony, RLM And Schedule RLM-9  
Testimony, RLM And Schedule RLM-10  
Testimony, RLM And Schedule RLM-11  
Testimony, RLM And Schedule RLM-12  
Testimony, RLM  
Testimony, RLM And Schedule RLM-13  
Testimony, RLM And Schedule RLM-14

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2  
CITIZENS SALARIES AND WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJM'T
	SUN CITY WEST WASTEWATER		4005-4507			
1		Salaries And Wages		\$ 673,037	\$ 673,037	\$ -
2		Payroll Tax		67,189	67,189	-
3		TOTAL		<u>\$ 740,226</u>	<u>\$ 740,226</u>	<u>\$ -</u>

**References:**

Column (A): Company Schedule C-2, Page 3  
Column (B): Company Provided Data On Citizens 2001 Payroll  
Column (C): Column (B) - Column (A)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) TOTAL SERVICE CHARGES		(B)	(C)	(D) ALLOCATED SERVICE CHARGES		(E)	(F)
			COMPANY AS FILED	RUCO AS ADJ'TED	FOUR FACT'R	COMPANY AS FILED	RUCO AS ADJ'TED	ADJ'MENT		
1	Sun City West Water	2364	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 515,886	\$ 437,098	\$ (78,789)		
2	Sun City West Wastewater	2365	\$ 5,153,711	\$ 4,366,610	0.1072	\$ 552,478	\$ 468,101	\$ (84,377)		
3	Sun City Water	2362	\$ 5,153,711	\$ 4,366,610	0.1797	\$ 926,122	\$ 784,680	\$ (141,442)		
4	Sun City Wastewater	2363	\$ 5,153,711	\$ 4,366,610	0.1014	\$ 522,586	\$ 442,774	\$ (79,812)		
5	Tubac	2389	\$ 5,153,711	\$ 4,366,610	0.0075	\$ 38,653	\$ 32,750	\$ (5,903)		
SUN CITY WEST WASTEWATER						COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T		
6	Arizona-American Service Company Allocation					\$ 552,478	\$ 468,101	\$ (84,377)		

References:

Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) - Column (D)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	2365	418,601	113,022	305,579	9	25,582
3	Sun City Water	2362	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	2363	80,003	21,601	58,402	4	5,448
5	Tubac	2389	68,044	18,372	49,672	1	4,045
SUN CITY WEST WASTEWATER				COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T	
6		Salaries And Wages		\$ 445,070	\$ 305,579	\$ (139,491)	
7		Payroll Tax		36,253	25,582	(10,671)	
8		TOTAL		<u>\$ 481,323</u>	<u>\$ 331,161</u>	<u>\$ (150,162)</u>	

References:

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL UNDEPREC'D PLANT	(B) APR'D DEP. RATE	(C) TEST YEAR DEPREC'N EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 4,078	0.00%	\$ 0
2	302.00	Franchises	80,146	0.00%	-
3	303.00	Miscellaneous Intangibles	5,184	0.00%	-
4		SUBTOTAL INTANGIBLE	<u>\$ 89,408</u>		<u>\$ 0</u>
		TREATMENT AND DISCHARGE			
5	310.00	Land And Land Rights	\$ 542,319	0.00%	\$ 0
6	311.00	Structures And Improvements	2,610,864	5.00%	130,543
7	312.00	Preliminary Treatment	1,044,761	5.00%	52,238
8	313.00	Primary Treatment Equipment	1,064,423	5.00%	53,221
9	314.00	Secondary Treatment Equip.	5,617,076	5.00%	280,854
10	315.00	Tertiary Equipment	6,035,389	5.00%	301,769
11	316.00	Disinfection Equipment	27,094	5.00%	1,355
12	317.00	Effluent Lift Station E	992,904	8.40%	83,404
13	318.00	Outfall Line	109,840	5.00%	5,492
14	319.00	Sludge, Treatment & Dist.	(14,747)	5.00%	(737)
15	321.00	Influent Lift Station	90,935	8.40%	7,639
16	322.00	General Treatment Equipment	894,462	5.00%	44,723
17		SUBTOTAL TREAT & DIS.	<u>\$ 19,015,321</u>		<u>\$ 960,501</u>
		COLLECTION AND INFLUENT			
18	340.00	Land And Land Rights	\$ 20,747	0.00%	\$ 0
19	341.00	Structures And Improvements	(15,901)	1.67%	(266)
20	342.00	Collection System Lift	1,326,629	8.40%	111,437
21	343.00	Collection Mains	12,663,644	2.04%	258,338
22	344.00	Force Mains	726,686	2.07%	15,042
23	345.00	Discharge Services	2,561,338	2.04%	52,251
24	348.00	Manholes	(99,747)	2.03%	(2,025)
25		SUBTOTAL COLL. & INFLU.	<u>\$ 17,183,396</u>		<u>\$ 434,778</u>
		GENERAL			
26	389.00	Land And Land Rights	\$ 780	0.00%	\$ 0
27	390.00	Structures And Improvements	857,001	1.68%	14,404
28	391.00	Office Furniture & Equipment	297,752	4.55%	13,533
29	391.10	Computer Equipment	194,312	4.55%	8,832
30	392.00	Transportation Equipment	287,389	25.00%	71,847
31	393.00	Stores Equipment	4,593	3.92%	180
32	394.00	Tools, Shop And Garage	67,343	4.14%	2,785
33	395.00	Laboratory Equipment	20,819	3.71%	772
34	396.00	Power Operated Equipment	19,239	5.14%	990
35	397.00	Communication Equipment	152,008	10.28%	15,623
36	398.00	Miscellaneous Equipment	44,306	4.98%	2,206
37		SUBTOTAL GENERAL	<u>\$ 1,945,542</u>		<u>\$ 131,172</u>
		TOTAL	<u>\$ 38,233,667</u>		<u>\$ 1,526,451</u>
38		Amortization Of Contributions In Aid Of Construction ("CIAC")	\$ (1,458,672)	10.00%	\$ (145,867)
39		Adjustment Due To Rounding	-		1
40		TOTAL WASTEWATER PLT	<u>\$ 37,949,288</u>		<u>\$ 1,380,585</u>
41		Company As Filed As Per Schedule C-2, Pg 6, Line 62			\$ 1,432,265
42		Adjustment To Depreciation Expense (See RLM-6, Col (B), Line 22)			<u>\$ (51,680)</u>

References:

Column (A): Schedule RLM-5, Page 1, Column (E)  
Column (B): Schedule RLM-4, Page 4, Column (A)  
Column (C): Column (A) X Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 3,545,468	
2	Year 2000 (Company Schedule E-2)	3,548,880	
3	Year 2001 (Company Schedule E-2)	3,524,634	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 10,618,982	
5	Average Annual Operating Revenues (L4 / 3)	3,539,661	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 7,079,321
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 33,267	
8	10% Of CWIP (L7 X 10%)		\$ 3,327
	SUBTRACT: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (RLM-5, Pg 1, Col (E), L 30)	\$ 287,389	
10	Acc. Dep. Of Transportation Equipment (RLM-5, Pg 1, Col (F), L 30)	-	
11	Book Value Of Transportation Equipment (L9 - L10)		\$ 287,389
12	COMPANY'S FULL CASH VALUE (L6 + L8 - L11)		<u>\$ 6,795,259</u>
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	<u>\$ 1,698,815</u>	
	Property Tax Rates:		
15	Primary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	8.34%	
16	Secondary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	0.00%	
17	Estimated Tax Rate Liability (L14 + L15)	<u>8.34%</u>	
18	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		<u>\$ 141,609</u>
19	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. RLM-6, Col. (A), L29)	\$ 168,501	
20	Increase (Decrease) In Property Tax Expense (L18 - L19)	<u>\$ (26,892)</u>	
21	Adjustment To Property Tax Expense From Company's Direct Filing (See RLM-6 Col. (B), L22)		<u>\$ (26,892)</u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE

LINE NO.		(A) REVISED T. Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Sun City West Water	0.0956	\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)
3	Sun City West Wastewater	0.1000	70,006	41,901	(28,106)	(9,369)
4	Sun City Water	0.1752	122,623	73,393	(49,230)	(16,410)
5	Sun City Wastewater	0.1439	100,749	60,301	(40,448)	(13,483)
6	Tubac	0.0072	5,039	3,016	(2,023)	(674)
7	Agua Fria	0.1750	122,482	73,309	(49,173)	(16,391)
8	Anthem Water	0.1135	79,413	47,531	(31,882)	(10,627)
9	Agua Fria, Anthem Wastewater	0.0528	36,958	22,120	(14,837)	(4,946)
10	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
11	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)
12	TOTAL	<u>1.0000</u>	<u>\$ 699,954</u>	<u>\$ 418,941</u>	<u>\$ (281,013)</u>	<u>\$ (93,671)</u>
SUN CITY WEST WASTEWATER			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
13	Rate Case Expense		\$ 70,006	\$ 41,901	\$ (28,106)	\$ (9,369)

References:

Column (A) : Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer From Allocation  
Column (B): Company Response To Data Request Minus The Mohave Sewer Allocated Value Of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) - Column (B)  
Column (E): Column (D) Divided By 3 (The Three Year Amortization Period)

Arizona-American Water Company  
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EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	SUN CITY WEST WASTEWATER				
1		Salaries And Wages	\$ 162,234	\$ 33,696	\$ (128,538)
2		Office Supplies & Expense	146,103	168,783	22,680
3		Insurance	23,250	16,021	(7,229)
4		Miscellaneous Expense	920	1,238	318
5		TOTAL	<u>\$ 332,507</u>	<u>\$ 219,739</u>	<u>\$ (112,768)</u>

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From RLM-13, Pg 2, Line 25

Column (C): Column (B) - Column (A)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	\$ 3,161,914	\$ 2,098,797	\$ 1,063,117	
8	Non-Applicable Accounts	\$ 2,153,067	\$ 2,117,294	\$ 35,773	
9	TOTAL (See RLM-14, Pg 3, L 45)	\$ 5,314,981	\$ 4,216,091	\$ 1,098,890	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasu Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	0.8247	0.9534	0.8700	0.9544
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	1.0000	1.0000	1.0000	1.0000
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	89,857	322,580	57,988	4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasu Water	11,232	14,208	1,630	1,297
34	Subtotal	\$ 325,731	\$ 1,352,330	\$ 177,484	\$ 28,987
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	\$ 48,672	\$ 126,483	\$ 37,716	\$ 1,393
38	TOTAL	\$ 374,404	\$ 1,478,813	\$ 215,200	\$ 30,381
39	TOTAL RUCO ADJUSTMENT (See RLM-14, pg 2, Column (B), Line 7 Above)				\$ 2,098,797

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report

Allocation Amounts - Calculated Using Same Methodology As Company

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DESCRIPTION	(A) CATEGORY	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) DIFFERENCE
1	Directors Fees	MISC	\$ 6,000	\$ 8,500	\$ 2,500
2	Bank Service Charges	OFFICE	29,863	124,896	95,033
3	Bill Insert	OFFICE	29,703	35,304	5,601
4	Collection Agencies	OFFICE	870	6,673	5,803
5	Forms AG	OFFICE	17,074	13,051	(4,023)
6	Advertising (Required Notification)	OFFICE	230,287	130,698	(99,589)
7	Brochures And Handouts	OFFICE	2,502	834	(1,668)
8	Community Relations	OFFICE	7,730	6,662	(1,068)
9	Postage	OFFICE	329,952	125,443	(204,509)
10	Group Insurance	OFFICE	622,145	587,410	(34,735)
11	IncentivePlan Expenses	EMP. BENFITS	226,620	21,252	(205,368)
12	PBOP Operations AG	EMP. BENFITS	341,502	16,737	(324,765)
13	Workman Compensation	EMP. BENFITS	(19,061)	(3,359)	15,702
14	Dues Deducted	EMP. BENFITS	3,612	13,660	10,048
15	Dues Non-Deducted	EMP. BENFITS	2,705	5,052	2,347
16	Dues-Membership Deducted	EMP. BENFITS	-	2,959	2,959
17	Employee Expenses AG	EMP. BENFITS	115,234	60,267	(54,967)
18	Employee Exp Conference-Registration	EMP. BENFITS	24,595	15,666	(8,929)
19	Meals And Travel Deducted	EMP. BENFITS	39,758	20,433	(19,325)
20	Meals And Travel Non-Deduct	EMP. BENFITS	-	13,037	13,037
21	Other Welfare Operations	EMP. BENFITS	6,495	19,906	13,411
22	Employee Awards	EMP. BENFITS	252	1,144	892
23	Employee Physical Exams	EMP. BENFITS	1,842	716	(1,126)
24	Tuition Aid	EMP. BENFITS	29,515	15,528	(13,987)
25	Training	EMP. BENFITS	24,818	28,944	4,126
26	401K	EMP. BENFITS	74,501	61,288	(13,213)
27	ESOP	EMP. BENFITS	91,759	81,175	(10,584)
28	Trustee Fees	MISC	17,058	21,881	4,823
29	Credit Line Fees	OFFICE	8,347	24,728	16,381
30	Insurance General Liability	INS	41,335	77,430	36,095
31	Security Services	OFFICE	637,500	423,114	(214,386)
32	Insurance Other	INS	217,401	137,770	(79,631)
33	Company Dues-Membership Deduct	N/A	16,178	4,422	(11,756)
34	Company Dues-Membership Non-deducted	N/A	36,108	2,846	(33,262)
35	Company Dues-Membership AWWA Ded.	N/A	882	495	(387)
36	Company Dues-Membership AWWA Non	N/A	1,947	649	(1,298)
37	Company Dues-Membership Non-Deducted	N/A	-	18,075	18,075
38	Charitable Contribution Deducted	N/A	3,500	2,075	(1,425)
39	Charitable Contribution Non-Deduct	N/A	800	200	(600)
40	Property Taxes	N/A	2,093,652	1,648,841	(444,811)
41	Business Services-Project Expense	N/A	-	390,309	390,309
42	Pcard Undistributed	N/A	-	39,882	39,882
43	Water Reservoir Conservation	N/A	-	4,001	4,001
44	Pension Operation AG	N/A	-	5,499	5,499
45	TOTAL		<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ (1,098,890)</u>

References:

Columns (A) (C): Company Response To RUCO Third Data Request  
Column (B): Company As Filed  
Column (D): Column (C) - Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. RLM-6, Col. (C), L28 + L25	\$ (98,912)
	LESS:		
2	Arizona State Tax	Line 11	(28,172)
3	Interest Expense	Note (A), Line 19	305,396
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (376,137)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (127,886)
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ (98,912)
	LESS:		
8	Interest Expense	Note (A), Line 19	305,396
9	State Taxable Income	Line 7 - Line 8	\$ (404,309)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (28,172)
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ (127,886)
13	State Income Tax Expense	Line 11	\$ (28,172)
14	Total Income Tax Expense Per RUCO	Line 6 + Line 11	\$ (156,059)
15	Total Income Tax Expense Per Company	Company Sch. C-1	\$ (369,763)
16	Total Income Tax Adjustment (See Sch. RLM-6, Col. (B), L25)	Line 14 - Line 15	\$ 213,704
<b>NOTE (A):</b>			
	Interest Synchronization:		
17	Adjusted Rate Base (Sch. RLM-3, Col. (E), L16)	\$ 10,470,538	
18	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	2.92%	
19	Interest Expense (L17 X L18)	\$ 305,396	

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LINE NO.	DESCRIPTION	COST OF CAPITAL					
		(A) CAPITAL'TION PER COMPANY	(B) RUCO ADJ'TS	(C) RUCO ADJUSTED CAPITAL'TION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Long-Term Debt	\$ 165,583,119	\$ 0	\$ 165,583,119	59.89%	4.87%	2.92%
2	Common Equity	\$ 110,888,158	\$ 0	\$ 110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITAL	<u>\$ 276,471,277</u>	<u>\$ 0</u>	<u>\$ 276,471,277</u>	<u>100.00%</u>		
4	COST OF CAPITAL						<u>6.57%</u>

References:

Column (A): Staff Data Request Nos. JMR 8-3 And JMR 8-4  
Column (B): Testimony, WAR  
Column (C): Column (A) + Column (B)  
Column (D): Column (C), Line Item / Total Capital (L5)  
Column (E): Testimony, WAR  
Column (F): Column (D) X Column (E)

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	Residential Units (WSR)	\$ 16.24	\$ 25.27	\$ 20.90
2	Commercial Units (SSC)	23.09	35.93	29.72
3	Commercial Larger User (WS6 Based On Consumption)	45.42	70.67	58.46
4	Multi-Family Residential Units (AC WSRE)	16.24	25.27	20.90
5	WS1 (Commercial, Additional Toilets)	5.30	8.25	6.82
6	WS2 (Commercial Restaurant, Per Dishwasher Or Garbage Grinder)	42.58	66.25	54.81
7	WS3 (Commercial Laundromat, Per Washing Machine)	9.93	15.45	12.78
8	WS4 (Commercial, Per Wash Rack)	20.81	32.38	26.79
<b>GALLONS IN MINIMUM</b>				
9	Commercial Larger User SS6	20,000	20,000	20,000
<b>COMMODITY RATES (Per 1,000 Gallons Over Minimum)</b>				
10	Commercial Larger User SS6	\$ 0.98	\$ 1.52	\$ 2.50
<b>ANNUAL FEE FOR INDUSTRIAL DISCHARGE SERVICE</b>				
For Those Customers Consuming An Amount Of Water Less Than Or Equal To 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
11		\$ 500.00	\$ 500.00	\$ 500.00
For Those Customers Consuming An Amount Of Water Greater Than 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
12		\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Annual Fee For Industrial Discharge Service Charges Shall Be Non-Refundable And Shall Be Assessed In Advance Each January By The Company By Special Billing. For New Customers Receiving This Service, A Prorated Charge Shall Be Assessed.				

**References:**

Columns (A) (B): Company Schedule H-3, Page 2 Revised  
Column (C): Testimony, RLM

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES CONT'D**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>SERVICE CHARGES:</b>				
1	Establishment Of Service	\$ 30.00	\$ 50.00	\$ 50.00
2	Establishment Of Service (After Hours)	\$ 40.00	\$ 60.00	\$ 60.00
3	Re-Connection (Delinquent)	N/A	N/A	N/A
4	Re-Connection (After Hours)	N/A	N/A	N/A
5	Meter Test Fee (If Correct)	\$ 10.00	\$ 10.00	\$ 10.00
6	Deposit			As Per ACC R14-2-403.B
7	Deposit Interest			As Per ACC R14-2-403.B
8	Re-Establishment - (Within 12 Months)	Monthly Minimum Times Months Disconnected - As Per ACC R14-2-403.D		
9	NSF Charge (Per Month)	\$ 10.00	\$ 10.00	\$ 10.00
10	Deferred Payment	1.50%	1.50%	1.50%
11	Meter Re-Read - (If Correct)	\$ 5.00	\$ 5.00	\$ 5.00
12	Meter Moved - Customer Requested	Cost	Cost	Cost
13	Late Payment Charge	1.50%	1.50%	1.50%
14	Damages To Locks, Valves, Seals	Cost	Cost	Cost

All Advances (AIAC) And/Or Contributions (CIAC) Are To Include Labor, Materials, Overhead,  
And All Applicable Taxes, Including All Gross-Up Taxes For Income Taxes

**References:**

Columns (A) (B): Company Schedule H-3, Page 2 Revised  
Column (C): Testimony, RLM

**PROOF OF RECOMMENDED REVENUE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	Residential Units (WSR)	\$ 20.90	171,984	\$ 3,595,240
2	Commercial Units (SSC)	29.72	3,600	107,003
3	Commercial Larger User (WS6 Based On Consumption)	58.46	72	4,209
4	Multi-Family Residential Units (AC WSRE)	20.90	34,068	712,175
5	WS1 (Commercial, Additional Toilets)	6.82	13,236	90,333
6	WS2 (Com. Restaurant, Per Dishwasher Or Garbage Grinder)	54.81	264	14,469
7	WS3 (Commercial Laundromat, Per Washing Machine)	12.78	384	4,908
8	WS4 (Commercial, Per Wash Rack)	26.79	120	3,214
9				
10	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		223,728	\$ 4,531,550
<b>GALLONS IN MINIMUM</b>				
11	Commercial Larger User SS6	20,000		
12	<b>COMMODITY RATES (Per 1,000 Gallons Over Minimum)</b>			
13	Commercial Larger User SS6	\$ 2.50		
	Total Annualized Gallons Consumed		10,324,000	
	Minus Minimum Gallonage Included In Basic Service Charges		(24,000)	
14	TOTAL ANNUALIZED COMMODITY CHARGES		10,300,000	\$ 25,750
15	Other Wastewater Revenue			\$ 1,002
16	Difference Between Bill Count And Revenue As Recorded			4,770
17	<b>TOTAL ANNUALIZED PROPOSED REVENUE</b>			<b>\$ 4,563,072</b>
18	Required Revenue (As Per Schedule RLM-1, Column (D), Line 10)			\$ 4,563,072
19	Difference			0
<b>ANNUAL FEE FOR INDUSTRIAL DISCHARGE SERVICE</b>				
	For Those Customers Consuming An Amount Of Water Less Than Or Equal To 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.			
20		\$ 500.00		
	For Those Customers Consuming An Amount Of Water Greater Than 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.			
21		\$ 1,000.00		

Annual Fee For Industrial Discharge Service Charges Shall Be Non-Refundable And Shall Be Assessed In Advance Each January By The Company By Special Billing. For New Customers Receiving This Service, A Prorated Charge Shall Be Assessed.

**References:**

Column (A): RLM-17, Page 1, Column (C)  
Column (B): Response To RUCO Data Request No. 1.04  
Column (C): Columns (A) X (B)

Arizona-American Water Company  
Docket No. SW-01303A-02-0867  
Test Year Ended December 31, 2001

Sun City West Wastewater District  
Schedule RLM-19  
Page 1 of 1

**TYPICAL BILL ANALYSIS  
WASTEWATER SERVICE TO RESIDENTIAL UNITS**

COMPANY PROPOSED		(A)	(B)	(C)	(D)	(E)
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	0	\$16.24	\$25.27	\$9.03	55.6%
RUCO PROPOSED						
2	Average	0	\$16.24	\$ 20.90	\$4.66	28.7%
3	Average Number Of Customers:		14,316			

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	2	REVENUE REQUIREMENT
RLM-2	1	FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1 TO 12	TEST YEAR PLANT SCHEDULES
RLM-5	1	POST-TEST YEAR 2001 PLANT
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - CITIZENS SALARIES AND WAGES
RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - AZ-AM SERVICE COMPANY ALLOCATIONS
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - TEST YEAR DEPRECIATION EXPENSE
RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7 - RATE CASE EXPENSE
RLM-14	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
RLM-15	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
RLM-16	1	COST OF CAPITAL
RLM-17	1 TO 2	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-18	1	PROOF OF RECOMMENDED REVENUE
RLM-19	1	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJ'MENT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 48,703,466	\$ (16,736,610)	\$ 31,966,856	\$ 22,304,176
2	Adjusted Operating Income (Loss)	\$ 476,007		\$ 476,007	\$ 260,008
3	Current Rate Of Return (L2 / L1)	0.98%		1.49%	1.17%
4	Required Operating Income (L5 X L1)	\$ 3,774,295		\$ 2,477,431	\$ 1,465,517
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 3,298,287		\$ 2,001,424	\$ 1,205,509
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	<b>\$ 5,371,706</b>		<b>\$ 3,259,520</b>	<b>\$ 1,963,334</b>
9	Adjusted Test Year Revenue	\$ 6,193,090		\$ 6,193,090	\$ 6,193,090
10	Proposed Annual Revenue (L8 + L9)	\$ 11,559,457		\$ 9,452,610	\$ 8,156,424
11	Required Percentage Increase In Revenue (L8 / L9)	86.74%		52.63%	31.70%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedule RLM-2

Column (C): Recalculated After Adjusting To OCRB

Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19

**GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	<b>Revenue Conversion Factor (L1 / L3)</b>	<b>1.6286</b>			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. RLM-1, Col. (D), L4)	\$ 1,465,517			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. RLM-1, Col. (D), L2)	260,008			
13	Required Increase In Operating Income (L11 - L12)		\$ 1,205,509		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 512,316			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(245,509)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 757,825		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 1,963,334</u>		
				RUCO	
CALCULATION OF INCOME TAX:				Recommended	
18	Revenue (Sch. RLM-1, Col. (D), L10)			\$ 8,156,424	
19	Less: Opr'g Exp. Excl. Inc. Tax (RLM-6, Col. (E), L25 + L23)			6,178,591	
20	Less: Synchronized Interest (Col. (C), L37)			650,551	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 1,327,283	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 92,485
24	Fed. Taxable Income (L21 - L23)			\$ 1,234,798	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			305,931	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 419,831
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 512,316</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L23)				\$ (245,509)
33	Adjustment (L31 - L32) (See RLM-6, Col. (D), L23)				\$ 757,825
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				<u>34.00%</u>
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-1, Pg 2, Col. (E), L16)			\$ 22,304,176	
36	Weighted Avg. Cost Of Debt (Sch. RLM-19, Col. (F), L1 + L2)			2.92%	
37	Synchronized Interest (L35 X L36)			<u>\$ 650,551</u>	

FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJM'TS TO OCRB	(C) COMPANY FILED AS OCRB	(D) RUCO OCRB ADJM'TS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 87,395,276	\$ (47,998,483)	\$ 39,396,793	\$ (648,587)	\$ 38,748,206
	Less:					
2	Accumulated Depreciation	31,018,998	(17,301,996)	13,717,002	(732,462)	12,984,540
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 56,376,278</u>	<u>\$ (30,696,487)</u>	<u>\$ 25,679,791</u>	<u>\$ 83,874</u>	<u>\$ 25,763,665</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 5,171,351	\$ (2,840,165)	\$ 2,331,186	\$ 0	\$ 2,331,186
5	Contribution In Aid Of Const. ("CIAC")	\$ 2,500,237	\$ (1,373,159)	\$ 1,127,078	\$ 0	\$ 1,127,078
6	Less: Accumulated Amortization	-	-	-	-	0
7	NET CIAC (L4 - L5)	<u>\$ 2,500,237</u>	<u>\$ (1,373,159)</u>	<u>\$ 1,127,078</u>	<u>\$ 0</u>	<u>\$ 1,127,078</u>
8	Customer Meter Deposits	\$ 1,225	\$ 0	\$ 1,225	\$ 0	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	9,746,553	9,746,553	(9,746,553)	0
15	Adjustment Due To Rounding	1	-	1	-	0
16	<b>TOTAL RATE BASE</b>	<u>\$ 48,703,466</u>	<u>\$ (16,736,610)</u>	<u>\$ 31,966,856</u>	<u>\$ (9,662,679)</u>	<u>\$ 22,304,176</u>

References:

Column (A): Company Schedule B-1

Column (B): Testimony, RLM

Column (C): Column (A) + Column (B) As Per Company Schedules B-1 And B-2 Revised

Column (D): Schedule RLM-3 And Testimony, RLM

Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJMT # 1	(C) RUCO ADJMT # 2	(D) RUCO ADJMT # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 39,396,793	\$ (741,787)	\$ 93,200	\$ 0	\$ 38,748,206
	Less:					
2	Accumulated Depreciation	13,717,002	(782,113)	49,651	-	12,984,540
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 25,679,791</u>	<u>\$ 40,326</u>	<u>\$ 43,549</u>	<u>\$ 0</u>	<u>\$ 25,763,666</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 2,331,186	\$ 0	\$ 0	\$ 0	\$ 2,331,186
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,127,078	\$ 0	\$ 0	\$ 0	1,127,078
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,127,078</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,127,078</u>
8	Customer Meter Deposits	\$ 1,225	\$ 0	\$ 0	\$ 0	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	9,746,553	-	-	(9,746,553)	0
15	Adjustment Due To Rounding	1				(1)
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 31,966,856</u></u>	<u><u>\$ 40,326</u></u>	<u><u>\$ 43,549</u></u>	<u><u>\$ (9,746,553)</u></u>	<u><u>\$ 22,304,176</u></u>

**References:**

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)  
Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-4, Page 12, Col (E) & (F), L 49)  
Column (C): Adjustment To Post Test Year Plant And Accumulated Depreciation (See RLM-5, Page 1, Col (E) & (F), L 51)  
Column (D): Adjustment To Citizens Acquisition Adjustment (See Testimony, RLM)  
Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES**  
**COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1995 TOTAL PLANT	(C) ADJUSTMENT TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ACTUAL 03/31/95 PRIOR T. Y. TOTAL PLANT
		INTANGIBLE				
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	837	-	837
3	303.00	Miscellaneous Intangibles	0.0000	4,583	-	4,583
4		SUBTOTAL INTANGIBLE		<u>\$ 5,420</u>	<u>\$ 0</u>	<u>\$ 5,420</u>
		SOURCE OF SUPPLY				
5	310.00	Land And Land Rights	0.0000	\$ 152,268	\$ 0	\$ 152,268
6	311.00	Structures And Improvements	0.0195	548,418	(12,263)	536,155
7	312.00	Collecting And Impounding Res.	0.0000	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	0
9	314.00	Wells And Springs	0.0526	1,479,268	(33,077)	1,446,191
10		SUBTOTAL SUPPLY		<u>\$ 2,179,954</u>	<u>\$ (45,339)</u>	<u>\$ 2,134,615</u>
		PUMPING				
11	320.00	Land And Land Rights	0.0000	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	0.0203	570,299	(12,752)	557,547
13	323.00	Other Power Production	0.0001	1,424	(32)	1,392
14	325.00	Electric Pumping Equipment	0.1605	4,516,641	(100,992)	4,415,649
15	326.00	Diesel Pumping Equipment	0.0003	8,114	(181)	7,933
16	328.10	Gas Engine Pumping Equipment	0.0065	183,309	(4,099)	179,210
17		SUBTOTAL PUMPING		<u>\$ 5,288,245</u>	<u>\$ (118,056)</u>	<u>\$ 5,170,189</u>
		WATER TREATMENT				
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0031	87,118	(1,948)	85,170
20	332.00	Water Treatment Equipment	0.0098	275,909	(6,169)	269,740
21		SUBTOTAL TREATMENT		<u>\$ 363,027</u>	<u>\$ (8,117)</u>	<u>\$ 354,910</u>
		TRANSMISSION & DISTRIBUTION				
22	340.00	Land And Land Rights	0.0000	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	0.0000	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0372	1,048,173	(23,437)	1,024,736
25	343.00	Trans. And Dist. Mains	0.3248	9,140,184	(204,375)	8,935,809
26	344.00	Fire Mains	0.0000	-	-	0
27	345.00	Services	0.1328	3,738,400	(83,591)	3,654,809
28	346.00	Meters	0.0730	2,053,992	(45,927)	2,008,065
29	348.00	Hydrants	0.0478	1,345,524	(30,086)	1,315,438
30	349.00	Other Trans. And Dist.	0.0000	523	-	523
31		SUBTOTAL TRANS. & DIST.		<u>\$ 17,337,289</u>	<u>\$ (387,417)</u>	<u>\$ 16,949,872</u>
		GENERAL				
32	389.00	Land And Land Rights	0.0000	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	0.0000	1,230,644	-	1,230,644
34	391.00	Office Furniture And Equipment	0.0000	1,486,491	-	1,486,491
35	391.10	Computer Equipment	0.0000	-	-	0
36	392.00	Transportation Equipment	0.0000	441,389	-	441,389
37	393.00	Stores Equipment	0.0000	14,806	-	14,806
38	394.00	Tools, Shop And Garage	0.0000	118,035	-	118,035
39	395.00	Laboratory Equipment	0.0000	7,906	-	7,906
40	396.00	Power Operated Equipment	0.0000	58,338	-	58,338
41	397.00	Communication Equipment	0.0000	145,722	-	145,722
42	398.00	Miscellaneous Equipment	0.0000	63,564	-	63,564
43		SUBTOTAL GENERAL		<u>\$ 3,569,020</u>	<u>\$ 0</u>	<u>\$ 3,569,020</u>
44		<b>TOTAL WATER PLANT</b>		<u><b>\$ 28,742,955</b></u>	<u><b>\$ (558,930)</b></u>	<u><b>\$ 28,184,025</b></u>
45		Youngtown Plant		\$ (148,497)	\$ 148,497	\$ 0
46		AFUDC ADJUSTMENT 3/95		(450,822)	450,822	0
47		Adjustment Due To Rounding		-	-	0
48		<b>ADJUSTED WATER PLANT</b>		<u><b>\$ 28,143,636</b></u>	<u><b>\$ 40,389</b></u>	<u><b>\$ 28,184,025</b></u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L48) (Excluding General Plant)  
Column (B): Company Schedule B-2, Page 6a  
Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$40,389 As Per Prior Application Schedule B-2  
Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

**TEST YEAR PLANT SCHEDULES CONT'D**  
**COMPANY'S PRIOR FILING VERSUS TOTAL PLANT ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) ACTUAL 03/31/1995 PRIOR T. Y. TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(E) ADJMT # 3 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(F) ACC APPR'D ADJUSTED PRIOR T. Y. TOTAL PLANT
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	837	-	-	-	837
3	303.00	Miscellaneous Intangibles	0.0000	4,583	-	-	-	4,583
4		SUBTOTAL INTANGIBLE		\$ 5,420	\$ 0	\$ 0	\$ 0	\$ 5,420
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 152,268	\$ 0	\$ 0	\$ 0	\$ 152,268
6	311.00	Structures And Improvements	0.0190	536,155	(11,319)	-	-	524,836
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.0513	1,446,191	(30,532)	(88,746)	-	1,326,914
10		SUBTOTAL SUPPLY		\$ 2,134,615	\$ (41,851)	\$ (88,746)	\$ 0	\$ 2,004,018
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 8,458	\$ 0	\$ 0	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	0.0198	557,547	(11,771)	-	-	545,776
13	323.00	Other Power Production	0.0000	1,392	(29)	-	-	1,363
14	325.00	Electric Pumping Equipment	0.1567	4,415,649	(93,222)	-	-	4,322,426
15	326.00	Diesel Pumping Equipment	0.0003	7,933	(168)	-	-	7,765
16	328.10	Gas Engine Pumping Equipment	0.0064	179,210	(3,784)	-	-	175,427
17		SUBTOTAL PUMPING		\$ 5,170,189	\$ (108,974)	\$ 0	\$ 0	\$ 5,061,215
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0030	85,170	(1,798)	-	-	83,372
20	332.00	Water Treatment Equipment	0.0096	269,740	(5,695)	-	-	264,045
21		SUBTOTAL TREATMENT		\$ 354,910	\$ (7,493)	\$ 0	\$ 0	\$ 347,417
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0004	\$ 10,493	\$ 0	\$ 0	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	0.0000	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0364	1,024,736	(21,634)	-	-	1,003,102
25	343.00	Trans. And Dist. Mains	0.3171	8,935,809	(188,651)	-	-	8,747,158
26	344.00	Fire Mains	0.0000	-	-	-	-	0
27	345.00	Services	0.1297	3,654,809	(77,160)	-	-	3,577,649
28	346.00	Meters	0.0712	2,008,065	(42,394)	-	-	1,965,671
29	348.00	Hydrants	0.0467	1,315,438	(27,771)	-	-	1,287,667
30	349.00	Other Trans. And Dist.	0.0000	523	(11)	-	-	512
31		SUBTOTAL TRANS. & DIST.		\$ 16,949,872	\$ (357,621)	\$ 0	\$ 0	\$ 16,592,251
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 2,125	\$ 0	\$ 0	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	0.0437	1,230,644	-	-	(2,700)	1,227,944
34	391.00	Office Furniture And Equipment	0.0527	1,486,491	-	-	(3,261)	1,483,230
35	391.10	Computer Equipment	0.0000	-	-	-	-	0
36	392.00	Transportation Equipment	0.0157	441,389	-	-	(968)	440,421
37	393.00	Stores Equipment	0.0005	14,806	-	-	(32)	14,774
38	394.00	Tools, Shop And Garage	0.0042	118,035	-	-	(259)	117,776
39	395.00	Laboratory Equipment	0.0003	7,906	-	-	(17)	7,889
40	396.00	Power Operated Equipment	0.0021	58,338	-	-	(128)	58,210
41	397.00	Communication Equipment	0.0052	145,722	-	-	(320)	145,402
42	398.00	Miscellaneous Equipment	0.0023	63,564	-	-	(139)	63,425
43		SUBTOTAL GENERAL		\$ 3,569,020	\$ 0	\$ 0	\$ (7,826)	\$ 3,561,194
44		<b>TOTAL WATER PLANT</b>		<b>\$ 28,184,025</b>	<b>\$ (515,939)</b>	<b>\$ (88,746)</b>	<b>\$ (7,826)</b>	<b>\$ 27,571,515</b>
45		Youngtown Plant		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		AFUDC ADJUSTMENT 3/95		-	-	-	-	0
47		Adjustment Due To Rounding		-	-	-	-	0
48		<b>ADJUSTED WATER PLANT</b>		<b>\$ 28,184,025</b>	<b>\$ (515,939)</b>	<b>\$ (88,746)</b>	<b>\$ (7,826)</b>	<b>\$ 27,571,515</b>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L48) (Excluding General Plant)  
Column (B): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (C): Commission Approved Adjustment Decision No. 60172, Exhibit A Per AR-13, Youngtown Plant And Youngtown Adjustment  
Column (D): Commission Approved Adjustment Decision No. 60172, Exhibit A Per Observation Wells - Plant  
Column (E): Commission Approved Adjustment Decision No. 60172, Exhibit A Per SAO Common Plant  
Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D

COMPANY'S PRIOR FILING VERSUS ACCUMULATED DEPRECIATION ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) PREV. APPL'N CO. AS FILED 12/31/1994 ACC. DEP.	(C) ADJMT # 1 TO 12/31/94 ACC. DEP.	(D) ACTUAL 03/31/1995 PRIOR T. Y. ACC. DEP.	(E) ADJMT # 2 TO 03/31/95 PRIOR T. Y. ACC. DEP.	(F) ACC APPR'D ADJUSTED PRIOR T. Y. ACC. DEP.
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0229	228,077	599	228,676	-	228,676
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.0580	578,487	1,520	580,007	33,764	613,771
10		SUBTOTAL SUPPLY		<u>\$ 806,564</u>	<u>\$ 2,120</u>	<u>\$ 808,684</u>	<u>\$ 33,764</u>	<u>\$ 842,448</u>
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	321.00	Structures And Improvements	0.0176	175,877	462	176,339	-	176,339
13	323.00	Other Power Production	0.0000	174	-	174	-	174
14	325.00	Electric Pumping Equipment	0.2505	2,498,786	6,567	2,505,353	-	2,505,353
15	326.00	Diesel Pumping Equipment	0.0005	5,395	14	5,409	-	5,409
16	328.10	Gas Engine Pumping Equipment	0.0072	72,000	189	72,189	-	72,189
17		SUBTOTAL PUMPING		<u>\$ 2,752,232</u>	<u>\$ 7,233</u>	<u>\$ 2,759,465</u>	<u>\$ 0</u>	<u>\$ 2,759,465</u>
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0008	8,207	22	8,229	-	8,229
20	332.00	Water Treatment Equipment	0.0082	81,336	214	81,550	-	81,550
21		SUBTOTAL TREATMENT		<u>\$ 89,543</u>	<u>\$ 235</u>	<u>\$ 89,778</u>	<u>\$ 0</u>	<u>\$ 89,778</u>
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.0000	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0336	335,621	882	336,503	-	336,503
25	343.00	Trans. And Dist. Mains	0.2442	2,436,649	6,404	2,443,053	-	2,443,053
26	344.00	Fire Mains	0.0000	-	-	-	-	0
27	345.00	Services	0.1550	1,546,386	4,064	1,550,450	-	1,550,450
28	346.00	Meters	0.0888	885,900	2,328	888,228	-	888,228
29	348.00	Hydrants	0.0452	450,469	1,184	451,653	-	451,653
30	349.00	Other Trans. And Dist.	0.0000	156	-	156	-	156
31		SUBTOTAL TRANS. & DIST.		<u>\$ 5,655,181</u>	<u>\$ 14,862</u>	<u>\$ 5,670,043</u>	<u>\$ 0</u>	<u>\$ 5,670,043</u>
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	0.0140	139,665	367	140,032	-	140,032
34	391.00	Office Furniture And Equipment	0.0138	137,425	361	137,786	-	137,786
35	391.10	Computer Equipment	0.0000	-	-	-	-	0
36	392.00	Transportation Equipment	0.0235	234,049	615	234,664	-	234,664
37	393.00	Stores Equipment	0.0003	3,378	9	3,387	-	3,387
38	394.00	Tools, Shop And Garage	0.0033	32,503	85	32,588	-	32,588
39	395.00	Laboratory Equipment	0.0001	1,022	3	1,025	-	1,025
40	396.00	Power Operated Equipment	0.0037	36,484	96	36,580	-	36,580
41	397.00	Communication Equipment	0.0060	60,150	158	60,308	-	60,308
42	398.00	Miscellaneous Equipment	0.0028	28,432	75	28,507	-	28,507
43		SUBTOTAL GENERAL		<u>\$ 673,108</u>	<u>\$ 1,769</u>	<u>\$ 674,877</u>	<u>\$ 0</u>	<u>\$ 674,877</u>
44		TOTAL WATER PLANT ACC. DEP.		<u>\$ 9,976,628</u>	<u>\$ 26,219</u>	<u>\$ 10,002,847</u>	<u>\$ 33,764</u>	<u>\$ 10,036,611</u>
45		Youngtown Plant		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		AFUDC ADJUSTMENT 3/95		-	-	-	-	0
47		Adjustment Due To Rounding		-	1	1	-	0
48		ADJUSTED WATER PLANT ACC. DEP.		<u>\$ 9,976,628</u>	<u>\$ 26,220</u>	<u>\$ 10,002,848</u>	<u>\$ 33,764</u>	<u>\$ 10,036,611</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Adjustment To Accumulated Depreciation Value (Col. (C), L48)

Column (B): Company Prior Application Exhibit RJM-4a

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$26,220

Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

Column (E): Commission Approved Adjustment Decision No. 60172, Exhibit A Per Observation Wells Adjustment

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
ACC APPROVED PRIOR TEST YEAR ENDED MARCH 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
		INTANGIBLE						
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.00%	-	-	837	-	837
3	303.00	Miscellaneous Intangibles	0.00%	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 5,420	\$ 0	\$ 5,420
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 152,268	\$ 0	\$ 152,268
6	311.00	Structures And Improvements	2.50%	-	-	524,836	228,676	296,160
7	312.00	Collecting And Impounding Reservoirs	2.50%	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.00%	-	-	-	-	0
9	314.00	Wells And Springs	2.52%	-	-	1,326,914	613,771	713,142
10		SUBTOTAL SOURCE OF SUPPLY		\$ 0	\$ 0	\$ 2,004,018	\$ 842,448	\$ 1,161,570
		PUMPING						
11	320.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	1.67%	-	-	545,776	176,339	369,437
13	323.00	Other Power Production	4.42%	-	-	1,363	174	1,189
14	325.00	Electric Pumping Equipment	4.42%	-	-	4,322,426	2,505,353	1,817,073
15	326.00	Diesel Pumping Equipment	5.00%	-	-	7,765	5,409	2,356
16	328.10	Gas Engine Pumping Equipment	5.01%	-	-	175,427	72,189	103,237
17		SUBTOTAL PUMPING		\$ 0	\$ 0	\$ 5,061,215	\$ 2,759,465	\$ 2,301,750
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	1.67%	-	-	83,372	8,229	75,143
20	332.00	Water Treatment Equipment	4.00%	-	-	264,045	81,550	182,495
21		SUBTOTAL WATER TREATMENT		\$ 0	\$ 0	\$ 347,417	\$ 89,778	\$ 257,638
		TRANSMISSION AND DISTRIBUTION						
22	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	2.00%	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	1.67%	-	-	1,003,102	336,503	666,599
25	343.00	Transmission And Distribution Mains	1.53%	-	-	8,747,158	2,443,053	6,304,105
26	344.00	Fire Mains	0.00%	-	-	0.00009	-	0
27	345.00	Services	2.48%	-	-	3,577,649	1,550,450	2,027,199
28	346.00	Meters	2.51%	-	-	1,965,671	888,228	1,077,442
29	348.00	Hydrants	2.00%	-	-	1,287,667	451,653	836,014
30	349.00	Other Transmission And Distribution	2.00%	-	-	512	156	356
31		SUBTOTAL TRANS. AND DIST.		\$ 0	\$ 0	\$ 16,592,251	\$ 5,670,043	\$ 10,922,208
		GENERAL						
32	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	1.67%	-	-	1,227,944	140,032	1,087,912
34	391.00	Office Furniture And Equipment	4.59%	-	-	1,483,230	137,786	1,345,443
35	391.10	Computer Equipment	4.59%	-	-	-	-	0
36	392.00	Transportation Equipment	25.00%	-	-	440,421	234,664	205,756
37	393.00	Stores Equipment	3.91%	-	-	14,774	3,387	11,387
38	394.00	Tools, Shop And Garage	4.02%	-	-	117,776	32,588	85,188
39	395.00	Laboratory Equipment	3.71%	-	-	7,889	1,025	6,864
40	396.00	Power Operated Equipment	5.20%	-	-	58,210	36,580	21,630
41	397.00	Communication Equipment	10.30%	-	-	145,402	60,308	85,094
42	398.00	Miscellaneous Equipment	4.93%	-	-	63,425	28,507	34,918
43		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 3,561,194	\$ 674,877	\$ 2,886,317
44		Youngtown Plant	2.83%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	2.83%	-	-	-	-	0
46		Adjustment Due To Rounding		-	-	-	-	0
47		TOTAL WATER PLANT		\$ 0	\$ 0	\$ 27,571,515	\$ 10,036,611	\$ 17,534,903

References:

Column (A): Prior Decision No. 60172 And Company Schedule C-2, Page 6  
Column (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule RLM-4, Page 2  
Column (E): Schedule RLM-4, Page 3  
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES CONT'D  
FROM MARCH 31, 1995 TO DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	972	-	-	-	1,809	-	1,809
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE	\$ 972	\$ 0	\$ 0	\$ 0	\$ 6,392	\$ 0	\$ 6,392
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,268	\$ 0	\$ 152,268
6	311.00	Structures And Improvements	37,090	-	-	10,188	561,926	238,865	323,061
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	58,652	-	25,633	1,268,262	580,753	687,509
10		SUBTOTAL SUPPLY	\$ 37,090	\$ 58,652	\$ 0	\$ 35,821	\$ 1,982,456	\$ 819,618	\$ 1,162,839
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	187	-	-	6,837	545,963	183,176	362,787
13	323.00	Other Power Production	-	-	-	45	1,363	219	1,144
14	325.00	Electric Pumping Equipment	553,012	22,000	-	152,819	4,853,438	2,636,172	2,217,266
15	326.00	Diesel Pumping Equipment	-	-	-	291	7,765	5,700	2,065
16	328.10	Gas Engine Pumping Equipment	12,558	4,000	-	6,903	183,985	75,092	108,893
17		SUBTOTAL PUMPING	\$ 565,757	\$ 26,000	\$ 0	\$ 166,895	\$ 5,600,972	\$ 2,900,360	\$ 2,700,612
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	1,044	83,372	9,273	74,099
20	332.00	Water Treatment Equipment	17,466	2,083	-	8,215	279,428	87,681	191,747
21		SUBTOTAL TREATMENT	\$ 17,466	\$ 2,083	\$ 0	\$ 9,259	\$ 362,800	\$ 96,954	\$ 265,846
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	12,564	1,003,102	349,067	654,035
25	343.00	Trans. And Dist. Mains	54,718	7,000	-	100,728	8,794,876	2,536,781	6,258,095
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	224,915	10,000	-	68,729	3,792,564	1,609,179	2,183,385
28	346.00	Meters	199,986	68,612	-	39,532	2,097,045	859,148	1,237,896
29	348.00	Hydrants	7,198	-	-	19,369	1,294,865	471,022	823,843
30	349.00	Other Trans. And Dist.	-	-	-	8	512	164	348
31		SUBTOTAL TRANS. & DIST.	\$ 486,817	\$ 85,612	\$ 0	\$ 240,929	\$ 16,993,456	\$ 5,825,360	\$ 11,168,096
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	23,084	-	-	15,525	1,251,028	155,557	1,095,471
34	391.00	Office Furniture And Equipment	131,706	63,050	-	54,412	1,551,886	129,149	1,422,737
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	81,589	16,642	-	91,787	505,368	309,810	195,558
37	393.00	Stores Equipment	-	-	-	433	14,774	3,820	10,953
38	394.00	Tools, Shop And Garage	17,569	6,696	-	3,917	128,649	29,809	98,840
39	395.00	Laboratory Equipment	961	-	-	233	8,850	1,258	7,592
40	396.00	Power Operated Equipment	21,702	2,543	-	2,743	77,369	36,780	40,589
41	397.00	Communication Equipment	24,067	-	-	12,162	169,469	72,470	96,999
42	398.00	Miscellaneous Equipment	1,476	-	-	2,372	64,901	30,879	34,021
43		SUBTOTAL GENERAL	\$ 302,154	\$ 88,931	\$ 0	\$ 183,585	\$ 3,774,417	\$ 769,531	\$ 3,004,887
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	-	-	-	-	-	0
47		TOTAL WATER PLANT	\$ 1,410,256	\$ 261,278	\$ 0	\$ 636,489	\$ 28,720,493	\$ 10,411,823	\$ 18,308,670

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D):  $0.75 \times [(\text{Col. (A)} + \text{Col. (B)}) \times \text{RLM-4, Page 4, Col. (A)} \times 1/2 \text{ yr. conv.}] + [\text{RLM-4, Page 4, Col. (D)} - \text{Col. (C)}] \times \text{RLM-4, Page 4, Col. (A)}$

Column (E): Schedule RLM-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	-	-	-	-	1,809	-	1,809
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	0	\$ 6,392	\$ 0	\$ 6,392
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 27,851	\$ 0	\$ 0	0	\$ 180,119	\$ 0	\$ 180,119
6	311.00	Structures And Improvements	73,143	12,000	-	15,112	623,069	241,977	381,092
7	312.00	Collecting And Impounding Res.	344	-	-	4	344	4	340
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	64,122	1,800	-	32,791	1,330,584	611,744	718,841
10		SUBTOTAL SUPPLY	\$ 165,460	\$ 13,800	\$ 0	\$ 47,908	\$ 2,134,116	\$ 853,725	\$ 1,280,391
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	15,651	-	-	9,248	561,614	192,425	369,190
13	323.00	Other Power Production	-	-	-	60	1,363	279	1,083
14	325.00	Electric Pumping Equipment	288,673	57,065	-	222,163	5,085,046	2,801,270	2,283,776
15	326.00	Diesel Pumping Equipment	-	-	-	388	7,765	6,089	1,676
16	328.10	Gas Engine Pumping Equipment	8,320	387	-	9,436	191,918	84,141	107,777
17		SUBTOTAL PUMPING	\$ 312,644	\$ 57,452	\$ 0	\$ 241,295	\$ 5,856,164	\$ 3,084,203	\$ 2,771,960
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	1,392	83,372	10,665	72,707
20	332.00	Water Treatment Equipment	17,980	17,593	-	11,889	279,815	81,977	197,838
21		SUBTOTAL TREATMENT	\$ 17,980	\$ 17,593	\$ 0	\$ 13,281	\$ 363,187	\$ 92,642	\$ 270,545
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	330,336	-	-	19,510	1,333,438	368,577	964,861
25	343.00	Trans. And Dist. Mains	780,763	3,794	-	140,563	9,571,845	2,673,550	6,898,295
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	137,419	16,649	-	95,966	3,913,334	1,688,496	2,224,838
28	346.00	Meters	908,427	155,391	-	65,987	2,850,081	769,744	2,080,337
29	348.00	Hydrants	126,105	2,282	-	27,181	1,418,688	495,921	922,767
30	349.00	Other Trans. And Dist.	-	-	-	10	512	174	338
31		SUBTOTAL TRANS. & DIST.	\$ 2,283,050	\$ 178,116	\$ 0	\$ 349,218	\$ 19,098,390	\$ 5,996,462	\$ 13,101,928
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	75,325	-	-	21,521	1,326,353	177,078	1,149,275
34	391.00	Office Furniture And Equipment	233,438	23,038	-	77,118	1,762,286	183,228	1,579,057
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	102,970	36,696	-	143,799	571,642	416,913	154,729
37	393.00	Stores Equipment	-	-	-	578	14,774	4,398	10,376
38	394.00	Tools, Shop And Garage	79,473	8,997	-	6,950	199,125	27,762	171,363
39	395.00	Laboratory Equipment	108	-	-	330	8,958	1,588	7,370
40	396.00	Power Operated Equipment	669	26,607	-	4,732	51,431	14,905	36,526
41	397.00	Communication Equipment	6,528	-	-	17,792	175,997	90,262	85,735
42	398.00	Miscellaneous Equipment	372	-	-	3,209	65,273	34,088	31,185
43		SUBTOTAL GENERAL	\$ 498,883	\$ 95,339	\$ 0	\$ 276,029	\$ 4,177,962	\$ 950,221	\$ 3,227,741
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	1	-	-	(2)	-	0
47		TOTAL WATER PLANT	\$ 3,278,017	\$ 362,301	\$ 0	\$ 927,730	\$ 31,636,209	\$ 10,977,254	\$ 20,658,957

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	1,043	-	-	-	2,852	-	2,852
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE	\$ 1,043	\$ 0	\$ 0	\$ 0	\$ 7,435	\$ 0	\$ 7,435
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,119	\$ 0	\$ 180,119
6	311.00	Structures And Improvements	3,510	-	-	15,621	626,579	257,598	368,981
7	312.00	Collecting And Impounding Res.	-	-	-	9	344	13	331
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	13,398	37,916	-	34,177	1,306,066	608,005	698,061
10		SUBTOTAL SUPPLY	\$ 16,908	\$ 37,916	\$ 0	\$ 49,806	\$ 2,113,108	\$ 865,616	\$ 1,247,492
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	-	1,355	-	166	560,259	191,235	369,024
13	323.00	Other Power Production	8,117	-	-	182	9,480	461	9,018
14	325.00	Electric Pumping Equipment	26,130	33,028	-	11,127	5,078,148	2,779,369	2,298,779
15	326.00	Diesel Pumping Equipment	111	-	-	22	7,877	6,111	1,766
16	328.10	Gas Engine Pumping Equipment	-	581	-	487	191,336	84,047	107,289
17		SUBTOTAL PUMPING	\$ 34,359	\$ 34,964	\$ 0	\$ 11,984	\$ 5,855,559	\$ 3,061,224	\$ 2,794,334
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	2,566	-	45	80,806	8,144	72,662
20	332.00	Water Treatment Equipment	52,513	-	-	1,526	332,328	83,503	248,825
21		SUBTOTAL TREATMENT	\$ 52,513	\$ 2,566	\$ 0	\$ 1,570	\$ 413,134	\$ 91,647	\$ 321,487
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	3,960	-	359	1,329,478	364,976	964,502
25	343.00	Trans. And Dist. Mains	734,080	-	-	7,766	10,305,925	2,681,316	7,624,608
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	89,689	-	-	3,492	4,003,023	1,691,988	2,311,035
28	346.00	Meters	39,775	-	-	2,155	2,889,856	771,899	2,117,956
29	348.00	Hydrants	10,128	-	-	645	1,428,816	496,566	932,250
30	349.00	Other Trans. And Dist.	-	-	-	0	512	174	338
31		SUBTOTAL TRANS. & DIST.	\$ 873,672	\$ 3,960	\$ 0	\$ 14,418	\$ 19,968,102	\$ 6,006,920	\$ 13,961,182
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	-	54,634	-	816	1,271,719	123,259	1,148,460
34	391.00	Office Furniture And Equipment	-	1,239,038	-	31,976	523,248	(1,023,834)	1,547,082
35	391.10	Computer Equipment	1,253,430	1,285	-	28,796	1,252,145	27,511	1,224,634
36	392.00	Transportation Equipment	176,527	-	-	58,015	748,169	474,928	273,241
37	393.00	Stores Equipment	-	704	-	36	14,070	3,730	10,339
38	394.00	Tools, Shop And Garage	921	28,479	-	870	171,567	153	171,414
39	395.00	Laboratory Equipment	-	99	-	14	8,859	1,503	7,356
40	396.00	Power Operated Equipment	-	1,753	-	292	49,678	13,444	36,234
41	397.00	Communication Equipment	-	4,557	-	2,067	171,440	87,772	83,668
42	398.00	Miscellaneous Equipment	-	591	-	173	64,682	33,670	31,012
43		SUBTOTAL GENERAL	\$ 1,430,878	\$ 1,331,140	\$ 0	\$ 123,055	\$ 4,277,700	\$ (257,864)	\$ 4,535,564
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	-	-	-	(1)	-	0
47		TOTAL WATER PLANT	\$ 2,409,373	\$ 1,410,546	\$ 0	\$ 200,834	\$ 32,635,036	\$ 9,767,542	\$ 22,867,495

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	-	-	-	-	2,852	-	2,852
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,435	\$ 0	\$ 7,435
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,119	\$ 0	\$ 180,119
6	311.00	Structures And Improvements	375	185	-	15,671	626,769	273,084	353,684
7	312.00	Collecting And Impounding Res.	-	30	-	9	314	(8)	322
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	166	-	32,915	1,305,900	640,754	665,146
10		SUBTOTAL SUPPLY	\$ 375	\$ 381	\$ 0	\$ 48,595	\$ 2,113,102	\$ 913,830	\$ 1,199,272
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	-	2,290	-	9,375	557,969	198,321	359,648
13	323.00	Other Power Production	15	-	-	419	9,495	881	8,614
14	325.00	Electric Pumping Equipment	303,990	48,203	-	232,238	5,333,935	2,963,404	2,370,531
15	326.00	Diesel Pumping Equipment	1,086	-	-	421	8,963	6,532	2,431
16	328.10	Gas Engine Pumping Equipment	54,889	5,800	-	11,106	240,426	89,353	151,072
17		SUBTOTAL PUMPING	\$ 359,980	\$ 56,293	\$ 0	\$ 253,560	\$ 6,159,246	\$ 3,258,490	\$ 2,900,756
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	273	-	-	1,352	81,079	9,496	71,584
20	332.00	Water Treatment Equipment	55,520	6,108	-	14,526	381,740	91,920	289,820
21		SUBTOTAL TREATMENT	\$ 55,793	\$ 6,108	\$ 0	\$ 15,877	\$ 462,818	\$ 101,416	\$ 361,403
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	402	-	22,206	1,329,076	386,780	942,296
25	343.00	Trans. And Dist. Mains	95,176	31,548	-	158,650	10,369,553	2,808,418	7,561,134
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	4,110	6,213	-	99,403	4,000,920	1,785,178	2,215,742
28	346.00	Meters	-	14,146	-	72,713	2,875,710	830,466	2,045,243
29	348.00	Hydrants	86,942	-	-	29,446	1,515,758	526,012	989,746
30	349.00	Other Trans. And Dist.	-	-	-	10	512	184	328
31		SUBTOTAL TRANS. & DIST.	\$ 186,229	\$ 52,309	\$ 0	\$ 382,428	\$ 20,102,021	\$ 6,337,039	\$ 13,764,982
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	5,157	-	-	21,281	1,276,876	144,540	1,132,336
34	391.00	Office Furniture And Equipment	53,585	-	-	25,247	576,833	(998,587)	1,575,420
35	391.10	Computer Equipment	69,449	-	-	59,067	1,321,594	86,578	1,235,016
36	392.00	Transportation Equipment	22,476	48,301	-	195,888	722,344	622,515	99,829
37	393.00	Stores Equipment	65	-	-	551	14,135	4,281	9,853
38	394.00	Tools, Shop And Garage	26,943	-	-	7,439	198,510	7,592	190,918
39	395.00	Laboratory Equipment	356	-	-	335	9,215	1,838	7,376
40	396.00	Power Operated Equipment	139	-	-	2,587	49,817	16,031	33,786
41	397.00	Communication Equipment	28,642	-	-	19,133	200,082	106,905	93,177
42	398.00	Miscellaneous Equipment	415	213	-	3,204	64,884	36,661	28,223
43		SUBTOTAL GENERAL	\$ 207,228	\$ 48,514	\$ 0	\$ 334,733	\$ 4,436,413	\$ 28,354	\$ 4,408,058
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	1	-	-	-	3	-	(1)
47		TOTAL WATER PLANT	\$ 809,606	\$ 163,605	\$ 0	\$ 1,035,193	\$ 33,281,038	\$ 10,639,129	\$ 22,641,905

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	-	-	-	-	2,852	-	2,852
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,583	-	4,583
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,435	\$ 0	\$ 7,435
SOURCE OF SUPPLY									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,119	\$ 0	\$ 180,119
6	311.00	Structures And Improvements	62,688	-	-	16,453	689,456	289,537	399,919
7	312.00	Collecting And Impounding Res.	-	-	-	8	314	(8)	322
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	494,712	-	-	39,142	1,800,612	679,896	1,120,716
10		SUBTOTAL SUPPLY	\$ 557,399	\$ 0	\$ 0	\$ 55,603	\$ 2,670,501	\$ 969,425	\$ 1,701,076
PUMPING									
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	-	-	-	9,318	557,969	207,639	350,330
13	323.00	Other Power Production	-	-	-	420	9,495	1,300	8,194
14	325.00	Electric Pumping Equipment	777,852	-	-	252,950	6,111,787	3,216,354	2,895,433
15	326.00	Diesel Pumping Equipment	15,839	-	-	844	24,802	7,376	17,426
16	328.10	Gas Engine Pumping Equipment	6,548	-	-	12,209	246,974	101,563	145,411
17		SUBTOTAL PUMPING	\$ 800,239	\$ 0	\$ 0	\$ 275,742	\$ 6,959,485	\$ 3,534,232	\$ 3,425,253
WATER TREATMENT									
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	1,359	-	-	1,365	82,438	10,861	71,577
20	332.00	Water Treatment Equipment	5,653	-	-	15,383	387,393	107,303	280,090
21		SUBTOTAL TREATMENT	\$ 7,012	\$ 0	\$ 0	\$ 16,748	\$ 469,831	\$ 118,164	\$ 351,667
TRANSMISSION & DISTRIBUTION									
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	-	-	-	-	0
24	342.00	Distribution, Reservoirs, & ST	-	-	-	22,196	1,329,076	408,975	920,101
25	343.00	Trans. And Dist. Mains	960,445	-	-	166,002	11,329,998	2,974,420	8,355,578
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	288,574	-	-	102,801	4,289,494	1,887,979	2,401,515
28	346.00	Meters	183,568	-	-	74,484	3,059,278	904,950	2,154,327
29	348.00	Hydrants	114,462	-	-	31,460	1,630,220	557,471	1,072,748
30	349.00	Other Trans. And Dist.	-	-	-	10	512	195	317
31		SUBTOTAL TRANS. & DIST.	\$ 1,547,049	\$ 0	\$ 0	\$ 396,952	\$ 21,649,070	\$ 6,733,991	\$ 14,915,079
GENERAL									
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	-	-	-	21,324	1,276,876	165,864	1,111,012
34	391.00	Office Furniture And Equipment	22,337	-	-	26,989	599,170	(971,598)	1,570,768
35	391.10	Computer Equipment	730,369	-	-	77,423	2,051,963	164,001	1,887,962
36	392.00	Transportation Equipment	141,567	13,674	-	199,990	850,237	808,831	41,406
37	393.00	Stores Equipment	-	-	-	553	14,135	4,834	9,300
38	394.00	Tools, Shop And Garage	14,947	-	-	8,281	213,457	15,873	197,585
39	395.00	Laboratory Equipment	328	-	-	348	9,543	2,186	7,356
40	396.00	Power Operated Equipment	28,409	-	-	3,329	78,226	19,360	58,866
41	397.00	Communication Equipment	19,468	-	-	21,611	219,550	128,516	91,034
42	398.00	Miscellaneous Equipment	3,938	-	-	3,296	68,822	39,957	28,865
43		SUBTOTAL GENERAL	\$ 961,363	\$ 13,674	\$ 0	\$ 363,143	\$ 5,384,102	\$ 377,823	\$ 5,006,278
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	-	-	-	2	-	0
47		TOTAL WATER PLANT	\$ 3,873,062	\$ 13,674	\$ 0	\$ 1,108,188	\$ 37,140,426	\$ 11,733,635	\$ 25,406,789

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 8, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 8, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	-	-	-	-	2,852	-	2,852
3	303.00	Miscellaneous Intangibles	9	-	-	-	4,592	-	4,592
4		SUBTOTAL INTANGIBLE	\$ 9	\$ 0	\$ 0	\$ 0	\$ 7,444	\$ 0	\$ 7,444
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,119	\$ 0	\$ 180,119
6	311.00	Structures And Improvements	-	51,109	-	17,875	638,347	256,303	382,044
7	312.00	Collecting And Impounding Res.	-	-	-	8	314	-	314
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	174,974	534	-	47,587	1,975,052	726,949	1,248,103
10		SUBTOTAL SUPPLY	\$ 174,974	\$ 51,643	\$ 0	\$ 65,470	\$ 2,793,832	\$ 983,252	\$ 1,810,580
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458	\$ 0	\$ 8,458
12	321.00	Structures And Improvements	116	-	-	9,319	558,085	216,958	341,127
13	323.00	Other Power Production	-	-	-	420	9,495	1,720	7,775
14	325.00	Electric Pumping Equipment	259,457	319,156	-	282,928	6,052,088	3,180,127	2,871,962
15	326.00	Diesel Pumping Equipment	-	-	-	1,240	24,802	8,616	16,186
16	328.10	Gas Engine Pumping Equipment	264	9,347	-	12,614	237,891	104,830	133,061
17		SUBTOTAL PUMPING	\$ 259,837	\$ 328,503	\$ 0	\$ 306,521	\$ 6,890,818	\$ 3,512,250	\$ 3,378,569
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	5,604	-	1,424	76,834	6,680	70,154
20	332.00	Water Treatment Equipment	17,263	15,336	-	16,148	389,320	108,115	281,205
21		SUBTOTAL TREATMENT	\$ 17,263	\$ 20,940	\$ 0	\$ 17,571	\$ 466,154	\$ 114,795	\$ 351,359
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	9,794	-	-	98	9,794	98	9,696
24	342.00	Distribution, Reservoirs, & ST	-	-	-	22,196	1,329,076	431,171	897,905
25	343.00	Trans. And Dist. Mains	245,132	153,960	-	176,402	11,421,170	2,996,862	8,424,308
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	135,622	38,014	-	108,533	4,387,102	1,958,498	2,428,604
28	346.00	Meters	114,760	323,259	-	82,285	2,850,779	663,976	2,186,802
29	348.00	Hydrants	38,006	2,799	-	33,012	1,665,427	587,685	1,077,742
30	349.00	Other Trans. And Dist.	-	-	-	10	512	205	307
31		SUBTOTAL TRANS. & DIST.	\$ 543,314	\$ 518,032	\$ 0	\$ 422,536	\$ 21,674,352	\$ 6,638,495	\$ 15,035,857
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	-	-	-	21,324	1,276,876	187,188	1,089,688
34	391.00	Office Furniture And Equipment	-	230	-	27,507	598,940	(944,321)	1,543,261
35	391.10	Computer Equipment	78,125	866,256	-	115,859	1,263,832	(586,396)	1,850,228
36	392.00	Transportation Equipment	52,927	210,079	-	245,433	693,085	844,185	(151,100)
37	393.00	Stores Equipment	-	-	-	553	14,135	5,387	8,748
38	394.00	Tools, Shop And Garage	5,115	1,899	-	8,722	216,673	22,695	193,978
39	395.00	Laboratory Equipment	-	-	-	354	9,543	2,540	7,002
40	396.00	Power Operated Equipment	-	-	-	4,068	78,226	23,428	54,798
41	397.00	Communication Equipment	1,584	-	-	22,695	221,134	151,211	69,922
42	398.00	Miscellaneous Equipment	1,993	257	-	3,448	70,558	43,148	27,409
43		SUBTOTAL GENERAL	\$ 139,744	\$ 1,078,721	\$ 0	\$ 449,963	\$ 4,445,125	\$ (250,935)	\$ 4,696,060
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	2	-	-	-	-	0
47		TOTAL WATER PLANT	\$ 1,135,141	\$ 1,997,841	\$ 0	\$ 1,262,061	\$ 36,277,725	\$ 10,997,857	\$ 25,279,868

References:

Columns (A) (B): Company's Response To RUCC Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 471	\$ 0	\$ 0	\$ 0	\$ 471	\$ 0	\$ 471
2	302.00	Franchises	-	1	-	-	2,851	-	2,851
3	303.00	Miscellaneous Intangibles	-	1	-	-	4,591	-	4,591
4		<b>SUBTOTAL INTANGIBLE</b>	<b>\$ 471</b>	<b>\$ 2</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,913</b>	<b>\$ 0</b>	<b>\$ 7,913</b>
<b>SOURCE OF SUPPLY</b>									
5	310.00	Land And Land Rights	\$ 0	\$ 36	\$ 0	\$ 0	\$ 180,083	\$ 0	\$ 180,083
6	311.00	Structures And Improvements	-	133	-	15,960	638,214	272,130	366,083
7	312.00	Collecting And Impounding Res.	-	-	-	8	314	8	306
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	82,418	-	-	50,810	2,057,470	777,758	1,279,711
10		<b>SUBTOTAL SUPPLY</b>	<b>\$ 82,418</b>	<b>\$ 170</b>	<b>\$ 0</b>	<b>\$ 66,778</b>	<b>\$ 2,876,080</b>	<b>\$ 1,049,897</b>	<b>\$ 1,826,183</b>
<b>PUMPING</b>									
11	320.00	Land And Land Rights	\$ 0	\$ 2	\$ 0	\$ 0	\$ 8,456	\$ 0	\$ 8,456
12	321.00	Structures And Improvements	-	117	-	9,321	557,968	226,162	331,806
13	323.00	Other Power Production	-	2	-	420	9,493	2,138	7,355
14	325.00	Electric Pumping Equipment	401,156	41,591	-	277,287	6,411,653	3,415,823	2,995,831
15	326.00	Diesel Pumping Equipment	-	-	-	1,240	24,802	9,856	14,946
16	328.10	Gas Engine Pumping Equipment	4,008	-	-	12,019	241,899	116,848	125,050
17		<b>SUBTOTAL PUMPING</b>	<b>\$ 405,165</b>	<b>\$ 41,712</b>	<b>\$ 0</b>	<b>\$ 300,287</b>	<b>\$ 7,254,271</b>	<b>\$ 3,770,827</b>	<b>\$ 3,483,444</b>
<b>WATER TREATMENT</b>									
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	-	1,283	76,834	7,964	68,871
20	332.00	Water Treatment Equipment	6,243	-	-	15,698	395,563	123,812	271,750
21		<b>SUBTOTAL TREATMENT</b>	<b>\$ 6,243</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 16,981</b>	<b>\$ 472,397</b>	<b>\$ 131,776</b>	<b>\$ 340,621</b>
<b>TRANSMISSION &amp; DISTRIBUTION</b>									
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	18,810	-	-	384	28,604	482	28,122
24	342.00	Distribution, Reservoirs, & ST	-	-	-	22,196	1,329,076	453,366	875,709
25	343.00	Trans. And Dist. Mains	569,075	25,377	-	179,291	11,964,868	3,150,777	8,814,091
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	252,677	16,732	-	112,141	4,623,047	2,053,907	2,569,141
28	346.00	Meters	310,236	17,291	-	75,665	3,143,724	722,350	2,421,373
29	348.00	Hydrants	78,732	4,108	-	34,137	1,740,051	617,714	1,122,337
30	349.00	Other Trans. And Dist.	-	-	-	10	512	215	297
31		<b>SUBTOTAL TRANS. &amp; DIST.</b>	<b>\$ 1,229,530</b>	<b>\$ 63,509</b>	<b>\$ 0</b>	<b>\$ 423,824</b>	<b>\$ 22,840,374</b>	<b>\$ 6,998,811</b>	<b>\$ 15,841,563</b>
<b>GENERAL</b>									
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,125	\$ 0	\$ 2,125
33	390.00	Structures And Improvements	9,388	-	-	21,402	1,286,264	208,590	1,077,674
34	391.00	Office Furniture And Equipment	2,404	-	-	27,547	601,344	(916,774)	1,518,118
35	391.10	Computer Equipment	69,625	85,097	-	61,561	1,248,360	(609,932)	1,858,292
36	392.00	Transportation Equipment	201,874	89,428	-	209,683	805,531	964,439	(158,909)
37	393.00	Stores Equipment	-	614	-	565	13,521	5,337	8,183
38	394.00	Tools, Shop And Garage	6,303	-	-	8,837	222,976	31,532	191,444
39	395.00	Laboratory Equipment	-	-	-	354	9,543	2,894	6,648
40	396.00	Power Operated Equipment	-	-	-	4,068	78,226	27,495	50,731
41	397.00	Communication Equipment	-	-	-	22,777	221,134	173,988	47,146
42	398.00	Miscellaneous Equipment	5,794	1,056	-	3,647	75,296	45,739	29,556
43		<b>SUBTOTAL GENERAL</b>	<b>\$ 295,388</b>	<b>\$ 176,195</b>	<b>\$ 0</b>	<b>\$ 360,439</b>	<b>\$ 4,564,318</b>	<b>\$ (66,690)</b>	<b>\$ 4,631,008</b>
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	3	-	-	-	-	-	(1)
47		<b>TOTAL WATER PLANT</b>	<b>\$ 2,019,218</b>	<b>\$ 281,588</b>	<b>\$ 0</b>	<b>\$ 1,168,309</b>	<b>\$ 38,015,353</b>	<b>\$ 11,884,620</b>	<b>\$ 26,130,732</b>

References:

Columns (A) (B): Company's Response To RUCO Data Request No. 1.22 And Staff Data Request 26.4

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 10, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 10, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 10, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA-AMERICAN

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRE-AQUISITION		(B) ADJUSTMENTS		(C) POST-ACQUISITION		(D) POST-ACQUISITION		(E) POST-ACQUISITION		(F) POST-ACQUISITION		(G) POST-ACQUISITION	
			TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.
		INTANGIBLE														
1	301.00	Organization	\$ 471	\$ 0	\$ 0	\$ 0	\$ 471	\$ 0	\$ 471	\$ 0	\$ 471	\$ 0	\$ 471	\$ 0	\$ 471	\$ 0
2	302.00	Franchises	2,851	-	-	-	2,851	-	2,851	-	2,851	-	2,851	-	2,851	-
3	303.00	Miscellaneous Intangibles	4,591	-	-	-	4,591	-	4,591	-	4,591	-	4,591	-	4,591	-
4		SUBTOTAL INTANGIBLE	\$ 7,913	\$ 0	\$ 0	\$ 0	\$ 7,913	\$ 0	\$ 7,913	\$ 0	\$ 7,913	\$ 0	\$ 7,913	\$ 0	\$ 7,913	\$ 0
		SOURCE OF SUPPLY														
5	310.00	Land And Land Rights	\$ 180,083	\$ 0	\$ 0	\$ 0	\$ 180,083	\$ 0	\$ 180,083	\$ 0	\$ 180,083	\$ 0	\$ 180,083	\$ 0	\$ 180,083	\$ 0
6	311.00	Structures & Improvements	638,214	272,130	-	-	638,214	272,130	638,214	272,130	638,214	272,130	638,214	272,130	638,214	272,130
7	312.00	Collecting & Impound Res.	314	8	-	-	314	8	314	8	314	8	314	8	314	8
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	314.00	Wells And Springs	2,057,470	777,758	-	-	2,057,470	777,758	2,057,470	777,758	2,057,470	777,758	2,057,470	777,758	2,057,470	777,758
10		SUBTOTAL SUPPLY	\$ 2,876,080	\$ 1,049,897	\$ 0	\$ 0	\$ 2,876,080	\$ 1,049,897	\$ 2,876,080	\$ 1,049,897	\$ 2,876,080	\$ 1,049,897	\$ 2,876,080	\$ 1,049,897	\$ 2,876,080	\$ 1,049,897
		PUMPING														
11	320.00	Land And Land Rights	\$ 8,456	\$ 0	\$ 0	\$ 0	\$ 8,456	\$ 0	\$ 8,456	\$ 0	\$ 8,456	\$ 0	\$ 8,456	\$ 0	\$ 8,456	\$ 0
12	321.00	Structures & Improvements	557,968	226,162	-	-	557,968	226,162	557,968	226,162	557,968	226,162	557,968	226,162	557,968	226,162
13	323.00	Other Power Production	9,493	2,138	-	-	9,493	2,138	9,493	2,138	9,493	2,138	9,493	2,138	9,493	2,138
14	325.00	Electric Pumping Equipment	6,411,653	3,415,823	-	-	6,411,653	3,415,823	6,411,653	3,415,823	6,411,653	3,415,823	6,411,653	3,415,823	6,411,653	3,415,823
15	326.00	Diesel Pumping Equipment	24,802	9,856	-	-	24,802	9,856	24,802	9,856	24,802	9,856	24,802	9,856	24,802	9,856
16	328.10	Gas Engine Pumping Equip.	241,899	116,848	-	-	241,899	116,848	241,899	116,848	241,899	116,848	241,899	116,848	241,899	116,848
17		SUBTOTAL PUMPING	\$ 7,254,271	\$ 3,770,827	\$ 0	\$ 0	\$ 7,254,270	\$ 3,770,827	\$ 7,254,270	\$ 3,770,827	\$ 7,254,270	\$ 3,770,827	\$ 7,254,270	\$ 3,770,827	\$ 7,254,270	\$ 3,770,827
		WATER TREATMENT														
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures & Improvements	76,834	7,964	-	-	76,834	7,964	76,834	7,964	76,834	7,964	76,834	7,964	76,834	7,964
20	332.00	Water Treatment Equipment	395,563	123,812	-	-	395,563	123,812	395,563	123,812	395,563	123,812	395,563	123,812	395,563	123,812
21		SUBTOTAL TREATMENT	\$ 472,397	\$ 131,776	\$ 0	\$ 0	\$ 472,397	\$ 131,776	\$ 472,397	\$ 131,776	\$ 472,397	\$ 131,776	\$ 472,397	\$ 131,776	\$ 472,397	\$ 131,776
		TRANS. & DIST.														
22	340.00	Land And Land Rights	\$ 10,493	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493	\$ 0	\$ 10,493	\$ 0	\$ 10,493	\$ 0	\$ 10,493	\$ 0
23	341.00	Structures & Improvements	28,604	482	-	-	28,604	482	28,604	482	28,604	482	28,604	482	28,604	482
24	342.00	Dist., Res., & ST	1,329,076	453,366	-	-	1,329,076	453,366	1,329,076	453,366	1,329,076	453,366	1,329,076	453,366	1,329,076	453,366
25	343.00	Trans. And Dist. Mains	11,964,868	3,150,777	-	-	11,964,868	3,150,777	11,964,868	3,150,777	11,964,868	3,150,777	11,964,868	3,150,777	11,964,868	3,150,777
26	344.00	Fire Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	345.00	Services	4,623,047	2,053,907	-	-	4,623,047	2,053,907	4,623,047	2,053,907	4,623,047	2,053,907	4,623,047	2,053,907	4,623,047	2,053,907
28	346.00	Meters	3,143,724	722,350	-	-	3,143,724	722,350	3,143,724	722,350	3,143,724	722,350	3,143,724	722,350	3,143,724	722,350
29	348.00	Hydrants	1,740,051	617,714	-	-	1,740,051	617,714	1,740,051	617,714	1,740,051	617,714	1,740,051	617,714	1,740,051	617,714
30	349.00	Other Trans. And Dist.	512	215	-	-	512	215	512	215	512	215	512	215	512	215
31		SUB TRANS. & DIST.	\$ 22,840,374	\$ 6,998,812	\$ 0	\$ 0	\$ 22,840,374	\$ 6,998,811	\$ 22,840,374	\$ 6,998,811	\$ 22,840,374	\$ 6,998,811	\$ 22,840,374	\$ 6,998,811	\$ 22,840,374	\$ 6,998,811
		GENERAL														
32	389.00	Land And Land Rights	\$ 2,125	\$ 0	\$ (962)	\$ 0	\$ 1,163	\$ 0	\$ 1,163	\$ 0	\$ 1,163	\$ 0	\$ 1,163	\$ 0	\$ 1,163	\$ 0
33	390.00	Structures & Improvements	1,286,264	208,590	(487,990)	(134,472)	798,274	74,118	798,274	74,118	798,274	74,118	798,274	74,118	798,274	74,118
34	391.00	Office Furniture & Equip.	601,344	(916,774)	(363,556)	1,002,699	237,788	85,925	237,788	85,925	237,788	85,925	237,788	85,925	237,788	85,925
35	391.10	Computer Equipment	1,248,360	(609,932)	(907,916)	506,322	340,444	(103,610)	340,444	(103,610)	340,444	(103,610)	340,444	(103,610)	340,444	(103,610)
36	392.00	Transportation Equipment	805,531	964,439	(377,122)	(716,995)	428,409	247,444	428,409	247,444	428,409	247,444	428,409	247,444	428,409	247,444
37	393.00	Stores Equipment	13,521	5,337	(6,674)	(3,482)	6,847	1,855	6,847	1,855	6,847	1,855	6,847	1,855	6,847	1,855
38	394.00	Tools, Shop And Garage	222,976	31,532	(125,003)	(27,185)	97,973	4,347	97,973	4,347	97,973	4,347	97,973	4,347	97,973	4,347
39	395.00	Laboratory Equipment	9,543	2,894	21,492	2,577	31,035	5,471	31,035	5,471	31,035	5,471	31,035	5,471	31,035	5,471
40	396.00	Power Operated Equipment	78,226	27,495	(49,547)	(17,291)	28,679	10,204	28,679	10,204	28,679	10,204	28,679	10,204	28,679	10,204
41	397.00	Communication Equipment	221,134	173,988	(83,491)	(94,713)	137,643	79,275	137,643	79,275	137,643	79,275	137,643	79,275	137,643	79,275
42	398.00	Miscellaneous Equipment	75,296	45,739	(9,249)	(15,122)	66,047	30,617	66,047	30,617	66,047	30,617	66,047	30,617	66,047	30,617
43		SUBTOTAL GENERAL	\$ 4,564,318	\$ (66,690)	\$ (2,390,016)	\$ 502,336	\$ 2,174,303	\$ 435,645	\$ 2,174,303	\$ 435,645	\$ 2,174,303	\$ 435,645	\$ 2,174,303	\$ 435,645	\$ 2,174,303	\$ 435,645
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46		Adjustm't Due To Rounding	-	2	-	-	-	-	-	-	-	-	-	-	-	-
47		TOTAL WATER PLANT	\$ 38,015,353	\$ 11,884,623	\$ (2,390,016)	\$ 502,336	\$ 35,625,337	\$ 12,386,955	\$ 35,625,337	\$ 12,386,955	\$ 35,625,337	\$ 12,386,955	\$ 35,625,337	\$ 12,386,955	\$ 35,625,337	\$ 12,386,955
48		Company As Filed B-2					36,367,124	13,169,068	36,367,124	13,169,068	36,367,124	13,169,068	36,367,124	13,169,068	36,367,124	13,169,068
49		Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-3, Col (B), Lines 1 & 2)					\$ (741,787)	\$ (782,113)	\$ (741,787)	\$ (782,113)	\$ (741,787)	\$ (782,113)	\$ (741,787)	\$ (782,113)	\$ (741,787)	\$ (782,113)

References:

Column (A): Schedule RLM-4, Page 11, Column (E)

Column (B): Schedule RLM-4, Page 11, Column (F)

Columns (C) (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water Common Plant Allocation As Per Company Schedule B-2, Pg 2

Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3

Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3

Column (G): Column (E) - Column (F)

POST-TEST YEAR 2001 PLANT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOS'G	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 471	\$ 0	\$ 471
2	302.00	Franchises	-	129,424	-	-	132,275	-	132,275
3	303.00	Miscellaneous Intangibles	-	-	-	-	4,591	-	4,591
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 129,424	\$ 0	\$ 0	\$ 137,337	\$ 0	\$ 137,337
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,083	\$ 0	\$ 180,083
6	311.00	Structures And Improvements	107,102	-	8,269	1,339	745,316	281,738	463,578
7	312.00	Collecting And Impounding Res.	-	-	4	-	314	12	302
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	30,068	-	2,057,470	807,826	1,249,643
10		SUBTOTAL SUPPLY	\$ 107,102	\$ 0	\$ 38,341	\$ 1,339	\$ 2,983,182	\$ 1,089,576	\$ 1,893,605
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,456	\$ 0	\$ 8,456
12	321.00	Structures And Improvements	73,346	-	4,862	612	631,314	231,636	399,678
13	323.00	Other Power Production	-	-	211	-	9,493	2,349	7,144
14	325.00	Electric Pumping Equipment	265,461	569	145,941	5,879	6,677,683	3,567,643	3,110,040
15	326.00	Diesel Pumping Equipment	-	-	628	-	24,802	10,484	14,318
16	328.10	Gas Engine Pumping Equipment	-	-	6,254	-	241,899	123,102	118,796
17		SUBTOTAL PUMPING	\$ 338,807	\$ 569	\$ 157,896	\$ 6,492	\$ 7,593,647	\$ 3,935,215	\$ 3,658,432
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	-	-	673	-	76,834	8,637	68,198
20	332.00	Water Treatment Equipment	5,357	-	8,145	107	400,920	132,065	268,855
21		SUBTOTAL TREATMENT	\$ 5,357	\$ 0	\$ 8,818	\$ 107	\$ 477,754	\$ 140,701	\$ 337,053
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,493	\$ 0	\$ 10,493
23	341.00	Structures And Improvements	-	-	286	-	28,604	768	27,836
24	342.00	Distribution, Reservoirs, & ST	457,578	-	11,469	3,821	1,786,654	468,656	1,317,998
25	343.00	Trans. And Dist. Mains	681,787	994,421	94,455	12,823	13,641,076	3,258,055	10,383,021
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	-	1	59,294	-	4,623,048	2,113,201	2,509,848
28	346.00	Meters	-	-	40,545	-	3,143,724	762,895	2,380,828
29	348.00	Hydrants	16,772	-	17,971	168	1,756,823	635,853	1,120,970
30	349.00	Other Trans. And Dist.	-	-	5	-	512	220	292
31		SUBTOTAL TRANS. & DIST.	\$ 1,156,137	\$ 994,422	\$ 224,025	\$ 16,811	\$ 24,990,933	\$ 7,239,647	\$ 17,751,286
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,163	\$ 0	\$ 1,163
33	390.00	Structures And Improvements	33,000	-	10,758	276	831,274	85,152	746,122
34	391.00	Office Furniture And Equipment	269,506	1	13,869	6,185	507,295	105,979	401,316
35	391.10	Computer Equipment	-	(97,647)	(25,763)	(2,241)	242,797	(131,614)	374,411
36	392.00	Transportation Equipment	150,937	-	100,772	18,867	579,346	367,083	212,263
37	393.00	Stores Equipment	-	-	265	-	6,847	2,120	4,727
38	394.00	Tools, Shop And Garage	-	-	4,483	-	97,973	8,830	89,143
39	395.00	Laboratory Equipment	-	-	(823)	-	31,035	4,648	26,387
40	396.00	Power Operated Equipment	-	-	2,035	-	28,679	12,239	16,440
41	397.00	Communication Equipment	35,254	-	11,400	1,816	172,897	92,491	80,406
42	398.00	Miscellaneous Equipment	-	-	1,858	-	66,047	32,475	33,572
43		SUBTOTAL GENERAL	\$ 488,697	\$ (97,646)	\$ 118,854	\$ 24,902	\$ 2,565,353	\$ 579,402	\$ 1,985,951
44		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	0
46		Adjustment Due To Rounding	-	-	(1)	-	-	(1)	0
47		TOTAL WATER PLANT	\$ 2,096,100	\$ 1,026,769	\$ 547,933	\$ 49,551	\$ 38,748,206	\$ 12,984,540	\$ 25,763,664
48		Company As Filed B-2					39,396,793	13,717,002	
49		Difference In Post Test Year Gross Plant					\$ (648,587)	\$ (732,462)	
50		Adjustment To Test Year Gross Plant As Per RLM-4, Page 12, Cols (E) And (F), L 49					(741,787)	(782,113)	
51		Adjustment To Post Test Year Total Plant And Acc. Dep. (See RLM-3, Col (C), L 1 & L 2)					\$ 93,200	\$ 49,651	

References:

Column (A): Company's Response To Staff Data Request No. DWC 12-1 To 12-3

Column (B): Additional Plant At Closing And ORCOM

Column (C): Additional Accumulated Depreciation At Closing

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 12, Col. (E)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 12, Column (D) + Column (A) + Column (B)

Column (F): Schedule RLM-4, Page 12, Column (F) + Column (C) + Column (D)

Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
	OPERATING REVENUES:					
1	Metered Water Revenues	\$ 6,079,671	\$ 0	\$ 6,079,671	\$ 1,963,334	\$ 8,043,005
2	Unmetered Water Revenues	0	-	-	-	0
3	Other Water Revenues	113,419	-	113,419	-	113,419
4	TOTAL OPERATING REVENUES	<u>\$ 6,193,090</u>	<u>\$ 0</u>	<u>\$ 6,193,090</u>	<u>\$ 1,963,334</u>	<u>\$ 8,156,424</u>
	OPERATING EXPENSES:					
5	Salaries And Wages	\$ 1,167,073	\$ (127,737)	\$ 1,039,336	\$ 0	\$ 1,039,336
6	Purchased Water	0	-	-	-	0
7	Purchased Power	1,416,410	-	1,416,410	-	1,416,410
8	Chemicals	17,413	-	17,413	-	17,413
9	Repairs And Maintenance	540,349	-	540,349	-	540,349
10	Office Supplies And Expenses	483,141	110,339	593,480	-	593,480
11	Outside Services	93,641	-	93,641	-	93,641
12	Service Company Fees	926,122	(141,442)	784,680	-	784,680
13	Water Testing	6,878	-	6,878	-	6,878
14	Rents	28,369	-	28,369	-	28,369
15	Transportation Expenses	22	-	22	-	22
16	Insurance - General Liability	87,848	23,027	110,875	-	110,875
17	Insurance - Health And Life	0	-	0	-	0
18	Regulatory Comm. Exp. - Rate Case	40,874	(16,410)	24,464	-	24,464
19	Miscellaneous Expense	300,122	3,159	303,281	-	303,281
20	Depreciation Expense	1,025,028	(22,994)	1,002,034	-	1,002,034
21	Taxes Other Than Income	62,065	(83,508)	(21,443)	-	(21,443)
22	Property Taxes	186,779	52,024	238,803	-	238,803
23	Income Tax	(665,050)	419,541	(245,509)	757,825	512,316
24	Adjustment Due To Rounding	(1)	-	-	-	-
25	TOTAL OPERATING EXPENSES	<u>\$ 5,717,083</u>	<u>\$ 215,998</u>	<u>\$ 5,933,082</u>	<u>\$ 757,825</u>	<u>\$ 6,690,907</u>
26	OPERATING INCOME (LOSS)	<u>\$ 476,007</u>	<u>\$ (215,998)</u>	<u>\$ 260,008</u>	<u>\$ 1,205,509</u>	<u>\$ 1,465,517</u>
	Other Income (Expense):					
27	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
28	Other Income	0	-	-	-	0
29	Interest Expense	(1,533,935)	883,384	(650,551)	-	(650,551)
30	Other Expense	0	-	-	-	0
31	Gain/Loss Sale Of Assets	0	-	-	-	0
32	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (1,533,935)</u>	<u>\$ 883,384</u>	<u>\$ (650,551)</u>	<u>\$ 0</u>	<u>\$ (650,551)</u>
33	NET PROFIT (LOSS)	<u>\$ (1,057,928)</u>	<u>\$ 667,386</u>	<u>\$ (390,543)</u>	<u>\$ 1,205,509</u>	<u>\$ 814,966</u>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony, RLM And Schedule RLM-7  
Column (C): Column (A) + Column (B)  
Column (D): Testimony, RLM And Schedule RLM-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS  
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) RUCO AS ADJED
1	OPERATING REVENUES:												
2	Metered Water Revenues	\$ 6,079,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,079,671
3	Unmetered Water Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	Other Water Revenues	113,419	-	-	-	-	-	-	-	-	-	-	113,419
5	TOTAL OPERATING REVENUES	\$ 6,193,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,193,090
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 1,167,073	\$ 0	\$ 0	\$ 0	\$ (145,490)	\$ 0	\$ 0	\$ 0	\$ 17,753	\$ 0	\$ 0	\$ 1,039,336
8	Purchased Water	0	-	-	-	-	-	-	-	-	-	-	0
9	Purchased Power	1,416,410	-	-	-	-	-	-	-	-	-	-	1,416,410
10	Chemicals	17,413	-	-	-	-	-	-	-	-	-	-	17,413
11	Repairs And Maintenance	540,349	-	-	-	-	-	-	-	-	-	-	540,349
12	Office Supplies And Expenses	483,141	-	-	-	-	-	-	-	-	-	-	483,141
13	Outside Services	53,641	-	-	-	-	-	-	-	110,330	-	-	163,971
14	Service Company Fees	928,122	-	-	-	-	-	-	-	-	-	-	928,122
15	Water Testing	6,878	-	-	-	-	-	-	-	-	-	-	6,878
16	Rents	23,369	-	-	-	-	-	-	-	-	-	-	23,369
17	Transportation Expenses	22	-	-	-	-	-	-	-	-	-	-	22
18	Insurance - General Liability	87,848	-	-	-	-	-	-	-	-	-	-	87,848
19	Insurance - Health And Life	0	-	-	-	-	-	-	-	-	-	-	0
20	Regulatory Comm. Exp. - Rate Case	40,874	-	-	-	-	-	-	-	-	-	-	40,874
21	Miscellaneous Expense	300,122	-	-	-	-	-	-	-	-	-	-	300,122
22	Depreciation Expense	1,025,028	-	-	-	-	-	-	-	-	-	-	1,025,028
23	Taxes Other Than Income	62,065	-	-	-	-	-	-	-	-	-	-	62,065
24	Property Taxes	186,779	-	-	-	-	-	-	-	-	-	-	186,779
25	Income Tax	(605,050)	-	-	-	-	-	-	-	-	-	-	0
26	Adjustment Due To Rounding	\$ 5,717,083	\$ 0	\$ (42,009)	\$ (141,442)	\$ (136,989)	\$ (22,994)	\$ 52,024	\$ (16,410)	\$ 154,276	\$ 0	\$ 419,541	\$ 5,933,082
27	TOTAL OPERATING EXPENSES	\$ 476,007	\$ 0	\$ (42,009)	\$ (141,442)	\$ (136,989)	\$ (22,994)	\$ 52,024	\$ (16,410)	\$ 154,276	\$ 0	\$ 419,541	\$ 260,004
28	OPERATING INCOME (LOSS)		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
29	Other Income (Expense):												
30	Interest Income	0	-	-	-	-	-	-	-	-	-	-	0
31	Interest Expense	(1,543,926)	-	-	-	-	-	-	-	-	-	-	(1,543,926)
32	Other Expense	0	-	-	-	-	-	-	-	-	-	-	0
33	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
34	TOTAL OTHER INCOME (EXPENSE)	\$ (1,543,926)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
35	NET PROFIT (LOSS)	\$ (1,057,929)	\$ 0	\$ 42,009	\$ 141,442	\$ 136,989	\$ 22,994	\$ (52,024)	\$ 16,410	\$ (154,276)	\$ 883,384	\$ (419,541)	\$ (380,543)

REFERENCE

- Testimony, RLM And Schedule RLM-8
- Testimony, RLM And Schedule RLM-9
- Testimony, RLM And Schedule RLM-10
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-12
- Testimony, RLM And Schedule RLM-13
- Testimony, RLM And Schedule RLM-14
- Testimony, RLM And Schedule RLM-15

ADJUSTMENT NO.

- 1- Intentionally Left Blank
- 2- Remove Test Year Salaries And Wages
- 3- Service Company Fees
- 4- Projected Salaries And Wages
- 5- Depreciation Expense
- 6- Property Taxes
- 7- Rate Case Expense
- 8- Projected Additional Corporate Overhead Expenses
- 9- Intentionally Left Blank
- 10- Income Tax

References:

- Column (A): Company Schedule C-1
- Column (B) Thru (K): Adjustments #1 Thru #10
- Column (L): Sum Of Columns (A) Thru (K)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2**  
**CITIZENS SALARIES AND WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJM'T
	SUN CITY WATER		4003-4504			
1		Salaries And Wages		\$ 833,969	\$ 833,969	\$ -
2		Payroll Tax		114,680	72,671	(42,009)
3		TOTAL		<u>\$ 948,649</u>	<u>\$ 906,640</u>	<u>\$ (42,009)</u>

**References:**

Column (A): Company Schedule C-2, Page 3

Column (B): Company Provided Data On Citizens 2001 Payroll

Column (C): Column (B) - Column (A)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) (B) (C) TOTAL SERVICE CHARGES			(D) (E) (F) ALLOCATED SERVICE CHARGES		
			COMPANY AS FILED	RUCO AS ADJ'TED	FOUR FACT'R	COMPANY AS FILED	RUCO AS ADJ'TED	ADJ'MENT
1	Sun City West Water	2364	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 515,886	\$ 437,098	\$ (78,789)
2	Sun City West Wastewater	2365	\$ 5,153,711	\$ 4,366,610	0.1072	\$ 552,478	\$ 468,101	\$ (84,377)
3	Sun City Water	2362	\$ 5,153,711	\$ 4,366,610	0.1797	\$ 926,122	\$ 784,680	\$ (141,442)
4	Sun City Wastewater	2363	\$ 5,153,711	\$ 4,366,610	0.1014	\$ 522,586	\$ 442,774	\$ (79,812)
5	Tubac	2389	\$ 5,153,711	\$ 4,366,610	0.0075	\$ 38,653	\$ 32,750	\$ (5,903)
SUN CITY WATER						COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T
6	Arizona-American Service Company Allocation					\$ 926,122	\$ 784,680	\$ (141,442)

References:

Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) - Column (D)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	2365	418,601	113,022	305,579	9	25,582
3	Sun City Water	2362	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	2363	80,003	21,601	58,402	4	5,448
5	Tubac	2389	68,044	18,372	49,672	1	4,045

		COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T
6	SUN CITY WATER			
	Salaries And Wages	\$ 734,448	\$ 588,958	\$ (145,490)
7	Payroll Tax	62,065	20,566	(41,499)
8	TOTAL	\$ 796,513	\$ 609,524	\$ (186,989)

**References:**

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL PLANT VALUE	(B) APR'D DEP. RATE	(C) TEST YEAR DEPREC'N EXPENSE
<b>INTANGIBLE</b>					
1	301.00	Organization	\$ 471	0.00%	\$ 0
2	302.00	Franchises	132,275	0.00%	0
3	303.00	Miscellaneous Intangibles	4,591	0.00%	0
4		<b>SUBTOTAL INTANGIBLE</b>	<b>\$ 137,337</b>		<b>\$ 0</b>
<b>SOURCE OF SUPPLY</b>					
5	310.00	Land And Land Rights	\$ 180,083	0.00%	\$ 0
6	311.00	Structures And Improvements	745,316	2.50%	18,633
7	312.00	Collecting And Impounding Reservoir	314	2.50%	8
8	313.00	Lakes, Rivers, Other Intakes	-	0.00%	0
9	314.00	Wells And Springs	2,057,470	2.52%	51,848
10		<b>SUBTOTAL SUPPLY</b>	<b>\$ 2,983,182</b>		<b>\$ 70,489</b>
<b>PUMPING</b>					
11	320.00	Land And Land Rights	\$ 8,456	0.00%	\$ 0
12	321.00	Structures And Improvements	631,313	1.67%	10,543
13	323.00	Other Power Production	9,493	4.42%	420
14	325.00	Electric Pumping Equipment	6,677,682	4.42%	295,154
15	326.00	Diesel Pumping Equipment	24,803	5.00%	1,240
16	328.10	Gas Engine Pumping Equipment	241,899	5.01%	12,119
17		<b>SUBTOTAL PUMPING</b>	<b>\$ 7,593,646</b>		<b>\$ 319,475</b>
<b>WATER TREATMENT</b>					
18	330.00	Land And Land Rights	\$ 0	0.00%	\$ 0
19	331.00	Structures And Improvements	76,835	1.67%	1,283
20	332.00	Water Treatment Equipment	400,920	4.00%	16,037
21		<b>SUBTOTAL TREATMENT</b>	<b>\$ 477,756</b>		<b>\$ 17,320</b>
<b>TRANSMISSION AND DISTRIBUTION</b>					
22	340.00	Land And Land Rights	\$ 10,493	0.00%	\$ 0
23	341.00	Structures And Improvements	28,604	2.00%	572
24	342.00	Distribution, Reservoirs, And Structures	1,786,654	1.67%	29,837
25	343.00	Transmission And Distribution Mains	13,641,076	1.53%	208,708
26	344.00	Fire Mains	-	0.00%	0
27	345.00	Services	4,623,048	2.48%	114,652
28	346.00	Meters	3,143,724	2.51%	78,907
29	348.00	Hydrants	1,756,823	2.00%	35,136
30	349.00	Other Transmission And Distribution	512	2.00%	10
31		<b>SUBTOTAL TRANSMISSION AND DISTRIBUTION</b>	<b>\$ 24,990,933</b>		<b>\$ 467,823</b>
<b>GENERAL</b>					
32	389.00	Land And Land Rights	\$ 1,163	0.00%	\$ 0
33	390.00	Structures And Improvements	831,274	1.67%	13,882
34	391.00	Office Furniture And Equipment	507,295	4.59%	23,285
35	391.10	Computer Equipment	242,797	4.59%	11,144
36	392.00	Transportation Equipment	579,346	25.00%	144,836
37	393.00	Stores Equipment	6,847	3.91%	268
38	394.00	Tools, Shop And Garage	97,973	4.02%	3,939
39	395.00	Laboratory Equipment	31,035	3.71%	1,151
40	396.00	Power Operated Equipment	28,679	5.20%	1,491
41	397.00	Communication Equipment	172,897	10.30%	17,808
42	398.00	Miscellaneous Equipment	66,047	4.93%	3,256
43		<b>SUBTOTAL GENERAL</b>	<b>\$ 2,565,352</b>		<b>\$ 221,060</b>
44		<b>TOTAL</b>	<b>\$ 38,748,206</b>		<b>\$ 1,096,168</b>
45		Amortization Of Deferred Regulatory Assets	\$ 655,877	2.83%	18,573
46		Amortization Of Contribution In Aid Of Construction ("CIAC")	(1,127,078)	10.00%	(112,708)
47		Adjustment Due To Rounding	-		-
48		<b>TOTAL WATER PLANT</b>	<b>\$ 37,621,127</b>		<b>\$ 1,002,034</b>
49		Company As Filed As Per Schedule C-2, Pg 6, Line 73			\$ 1,025,028
50		Adjustment To Depreciation Expense (See RLM-6, Col (B), Line 20)			\$ (22,994)

References:

Column (A): Schedule RLM-5, Page 1, Column (E)

Column (B): Schedule RLM-4, Page 4, Column (A)

Column (C): Column (A) X Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 6,433,486	
2	Year 2000 (Company Schedule E-2)	7,139,309	
3	Year 2001 (Company Schedule E-2)	6,559,683	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 20,132,478	
5	Average Annual Operating Revenues (L4 / 3)	6,710,826	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 13,421,652
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 163,964	
8	10% Of CWIP (L7 X 10%)		\$ 16,396
	SUBTRACT: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (RLM-5. Pg 1, Col (E), L 36)	\$ 428,409	
10	Acc. Dep. Of Transportation Equipment (RLM-5. Pg 1, Col (F), L 36)	\$ 247,444	
11	Book Value Of Transportation Equipment (L9 - L10)		\$ 180,965
12	COMPANY'S FULL CASH VALUE (L6 + L8 + L11)		\$ 13,257,083
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	\$ 3,314,271	
	Property Tax Rates:		
15	Primary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	7.21%	
16	Secondary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	0.00%	
17	Estimated Tax Rate Liability (L14 + L15)	7.21%	
18	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		\$ 238,803
19	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. RLM-6, Col. (A), L29)	\$ 186,779	
20	Increase (Decrease) In Property Tax Expense (L18 - L19)	\$ 52,024	
21	Adjustment To Property Tax Expense From Company's Direct Filing (See RLM-6 Col. (B), L22)		\$ 52,024

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE

LINE NO.		(A) REVISED T. Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Sun City West Water	0.0956	\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)
3	Sun City West Wastewater	0.1000	70,006	41,901	(28,106)	(9,369)
4	Sun City Water	0.1752	122,623	73,393	(49,230)	(16,410)
5	Sun City Wastewater	0.1439	100,749	60,301	(40,448)	(13,483)
6	Tubac	0.0072	5,039	3,016	(2,023)	(674)
7	Agua Fria	0.1750	122,482	73,309	(49,173)	(16,391)
8	Anthem Water	0.1135	79,413	47,531	(31,882)	(10,627)
9	Agua Fria, Anthem Wastewater	0.0528	36,958	22,120	(14,837)	(4,946)
10	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
11	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)
12	TOTAL	<u>1.0000</u>	<u>\$ 699,954</u>	<u>\$ 418,941</u>	<u>\$ (281,013)</u>	<u>\$ (93,671)</u>
SUN CITY WATER			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
13	Rate Case Expense		\$ 122,623	\$ 73,393	\$ (49,230)	\$ (16,410)

References:

Column (A) : Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer From Allocation  
Column (B): Company Response To Data Request Minus The Mohave Sewer Allocated Value Of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) - Column (B)  
Column (E): Column (D) Divided By 3 (The Three Year Amortization Period)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Water District  
Schedule RLM-14  
Page 1 of 3

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	SUN CITY WATER				
1		Salaries And Wages	\$ 72,104	\$ 89,857	\$ 17,753
2		Office Supplies & Expense	212,241	322,580	110,339
3		Insurance	34,961	57,988	23,027
4		Miscellaneous Expense	1,249	4,408	3,159
5		TOTAL	<u>\$ 320,555</u>	<u>\$ 474,833</u>	<u>\$ 154,278</u>

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From RLM-14, Pg 2, Line 26

Column (C): Column (B) - Column (A)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	\$ 3,161,914	\$ 2,098,797	\$ 1,063,117	
8	Non-Applicable Accounts	\$ 2,153,067	\$ 2,117,294	\$ 35,773	
9	TOTAL (See RLM-14, Pg 3, L 45)	\$ 5,314,981	\$ 4,216,091	\$ 1,098,890	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasu Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	0.8247	0.9534	0.8700	0.9544
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	1.0000	1.0000	1.0000	1.0000
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	89,857	322,580	57,988	4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasu Water	11,232	14,208	1,630	1,297
34	Subtotal	\$ 325,731	\$ 1,352,330	\$ 177,484	\$ 28,987
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	\$ 48,672	\$ 126,483	\$ 37,716	\$ 1,393
38	TOTAL	\$ 374,404	\$ 1,478,813	\$ 215,200	\$ 30,381
39	TOTAL RUCO ADJUSTMENT (See RLM-14, pg 2, Column (B), Line 7 Above)			\$ 2,098,797	

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report  
Allocation Amounts - Calculated Using Same Methodology As Company

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DESCRIPTION	(A) CATEGORY	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) DIFFERENCE
1	Directors Fees	MISC	\$ 6,000	\$ 8,500	\$ 2,500
2	Bank Service Charges	OFFICE	29,863	124,896	95,033
3	Bill Insert	OFFICE	29,703	35,304	5,601
4	Collection Agencies	OFFICE	870	6,673	5,803
5	Forms AG	OFFICE	17,074	13,051	(4,023)
6	Advertising (Required Notification)	OFFICE	230,287	130,698	(99,589)
7	Brochures And Handouts	OFFICE	2,502	834	(1,668)
8	Community Relations	OFFICE	7,730	6,662	(1,068)
9	Postage	OFFICE	329,952	125,443	(204,509)
10	Group Insurance	OFFICE	622,145	587,410	(34,735)
11	IncentivePlan Expenses	EMP. BENFITS	226,620	21,252	(205,368)
12	PBOP Operations AG	EMP. BENFITS	341,502	16,737	(324,765)
13	Workman Compensation	EMP. BENFITS	(19,061)	(3,359)	15,702
14	Dues Deducted	EMP. BENFITS	3,612	13,660	10,048
15	Dues Non-Deducted	EMP. BENFITS	2,705	5,052	2,347
16	Dues-Membership Deducted	EMP. BENFITS	-	2,959	2,959
17	Employee Expenses AG	EMP. BENFITS	115,234	60,267	(54,967)
18	Employee Exp Conference-Registration	EMP. BENFITS	24,595	15,666	(8,929)
19	Meals And Travel Deducted	EMP. BENFITS	39,758	20,433	(19,325)
20	Meals And Travel Non-Deduct	EMP. BENFITS	-	13,037	13,037
21	Other Welfare Operations	EMP. BENFITS	6,495	19,906	13,411
22	Employee Awards	EMP. BENFITS	252	1,144	892
23	Employee Physical Exams	EMP. BENFITS	1,842	716	(1,126)
24	Tuition Aid	EMP. BENFITS	29,515	15,528	(13,987)
25	Training	EMP. BENFITS	24,818	28,944	4,126
26	401K	EMP. BENFITS	74,501	61,288	(13,213)
27	ESOP	EMP. BENFITS	91,759	81,175	(10,584)
28	Trustee Fees	MISC	17,058	21,881	4,823
29	Credit Line Fees	OFFICE	8,347	24,728	16,381
30	Insurance General Liability	INS	41,335	77,430	36,095
31	Security Services	OFFICE	637,500	423,114	(214,386)
32	Insurance Other	INS	217,401	137,770	(79,631)
33	Company Dues-Membership Deduct	N/A	16,178	4,422	(11,756)
34	Company Dues-Membership Non-deducted	N/A	36,108	2,846	(33,262)
35	Company Dues-Membership AWWA Ded.	N/A	882	495	(387)
36	Company Dues-Membership AWWA Non	N/A	1,947	649	(1,298)
37	Company Dues-Membership Non-Deducted	N/A	-	18,075	18,075
38	Charitable Contribution Deducted	N/A	3,500	2,075	(1,425)
39	Charitable Contribution Non-Deduct	N/A	800	200	(600)
40	Property Taxes	N/A	2,093,652	1,648,841	(444,811)
41	Business Services-Project Expense	N/A	-	390,309	390,309
42	Pcard Undistributed	N/A	-	39,882	39,882
43	Water Reservoir Conservation	N/A	-	4,001	4,001
44	Pension Operation AG	N/A	-	5,499	5,499
45	TOTAL		<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ (1,098,890)</u>

References:

Columns (A) (C): Company Response To RUCO Third Data Request  
Column (B): Company As Filed  
Column (D): Column (C) - Column (B)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. RLM-6, Col. (C), L25 + L23	\$ 14,499
	LESS:		
2	Arizona State Tax	Line 11	(44,320)
3	Interest Expense	Note (A) Line 19	650,551
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (591,732)
5	Federal Tax Rate	Sch. RLM-1, Page 2, Col.(D), L 34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	<u>\$ (201,189)</u>
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 14,499
	LESS:		
8	Interest Expense	Note (A) Line 19	650,551
9	State Taxable Income	Line 7 - Line 8	<u>\$ (636,052)</u>
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	<u>\$ (44,320)</u>
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ (201,189)
13	State Income Tax Expense	Line 11	(44,320)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	<u>\$ (245,509)</u>
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		<u>(665,050)</u>
16	Total Income Tax Adjustment (See Sch. RLM 6, Col. (B), L23)	Line 14 - Line 15	<u><u>\$ 419,541</u></u>

**NOTE (A):**

Interest Synchronization:

17	Adjusted Rate Base (Sch. RLM-3, Col. (E), L16)	\$ 22,304,176
18	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	2.92%
19	Interest Expense (L17 X L18)	<u><u>\$ 650,551</u></u>

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	(A) CAPITAL'ION PER COMPANY	(B) RUCO ADJ'TS	(C) RUCO ADJUSTED CAPITAL'ION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Long-Term Debt	\$ 165,583,119	\$ 0	\$ 165,583,119	59.89%	4.87%	2.92%
2	Common Equity	\$ 110,888,158	\$ 0	\$ 110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITAL	<u>\$ 276,471,277</u>	<u>\$ 0</u>	<u>\$ 276,471,277</u>	<u>100.00%</u>		
4	COST OF CAPITAL						<u>6.57%</u>

References:

Column (A): Staff Data Request Nos. JMR 8-3 And JMR 8-4  
Column (B): Testimony, WAR  
Column (C): Column (A) + Column (B)  
Column (D): Column (C), Line Item / Total Capital (L5)  
Column (E): Testimony, WAR  
Column (F): Column (D) X Column (E)

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
	Residential, Commercial			
1	5/8 X 3/4 - Inch	\$ 5.00	\$ 9.43	\$ 5.00
2	3/4 - Inch	5.00	9.43	5.00
3	1 - Inch	13.00	24.51	13.00
4	1 1/2 - Inch	28.00	52.78	27.84
5	2 - Inch	41.00	77.29	40.98
6	3 - Inch	70.00	131.95	69.96
7	4 - Inch	103.00	194.16	102.95
8	6 - Inch	141.00	265.79	140.93
	Private Fire Protection			
9	Flat Rate 3 - Inch	\$ 6.00	\$ 11.31	\$ 6.00
10	Flat Rate 4 - Inch	9.00	16.97	9.00
11	Flat Rate 6 - Inch	12.50	23.56	12.50
12	Flat Rate 8 - Inch	20.00	37.70	20.00
13	Flat Rate 10 - Inch	30.00	56.55	30.00
14	Standby	\$ 3.50	\$ 6.60	\$ 3.50
	Public Interruptible			
15	3 - Inch	\$ 0.00	\$ 0.00	\$ 0.00
16	8 - Inch	0.00	0.00	0.00
	Irrigation			
17	1 - Inch	\$ 13.00	\$ 24.51	\$ 13.00
18	1 1/2 - Inch	28.00	52.78	27.99
19	2 - Inch	41.00	77.29	40.99
20	3 - Inch	70.00	131.95	69.99
21	4 - Inch	103.00	194.16	102.98
22	6 - Inch	141.00	265.48	140.81

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES (Per 1,000 Gallons)**

All Meters (Except construction, irrigation, public interruptible):				
23	Tier 1 (0 to 8,000 Gallons)	\$ 0.73	\$ 1.38	\$ 0.99
24	Tier 2 (Above 8,001 Gallons)	0.92	1.73	1.29
Construction, Irrigation, Public Interruptible Meters:				
25	Construction / Untreated CAP	\$ 0.50	\$ 0.94	\$ 1.49
26	Irrigation	0.65	1.23	1.96
27	Public Interruptible	0.50	0.94	1.49

**References:**

Columns (A) (B): Company Schedule H-3, Pages 1 And 2  
Column (C): Testimony, RLM

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES CONT'D**

LINE NO.	DESCRIPTION	(A) PRESENT RATES		(B)	(C)
		Service Line	Meter	COMPANY PROPOSED	RUCO PROPOSED
SERVICE LINE AND METER INSTALLATION CHARGES:					
1	5/8 X 3/4 - Inch Meter	\$ 255.00	\$ 65.00	\$ 500.00	\$ 500.00
2	3/4 - Inch Meter	255.00	105.00	575.00	575.00
3	1 - Inch Meter	275.00	145.00	660.00	660.00
4	1 1/2 - Inch Meter	290.00	345.00	900.00	900.00
5	2 - Inch Meter	315.00	775.00	2,220.00	2,220.00
6	3 - Inch Meter	Cost	Cost	Cost	Cost
7	4 - Inch Meter	Cost	Cost	Cost	Cost
8	6 - Inch Meter	Cost	Cost	Cost	Cost
9	8 - Inch Meter	Cost	Cost	Cost	Cost
10	Meters Larger Than 8 - Inches	Cost	Cost	Cost	Cost
SERVICE CHARGES:					
11	Establishment Of Service		\$ 30.00	\$ 50.00	\$ 50.00
12	Establishment Of Service (After Hours)		40.00	60.00	60.00
13	Re-Connection (Delinquent)		N/A	N/A	N/A
14	Re-Connection (After Hours)		N/A	N/A	N/A
15	Meter Test Fee (If Correct)		10.00	10.00	10.00
16	Deposit			As Per ACC R14-2-403.B	
17	Deposit Interest			As Per ACC R14-2-403.B	
18	Re-Establishment - (Within 12 Months)	Monthly Minimum Times Months Disconnected -		As Per ACC R14-2-403.D	
19	NSF Charge (Per Month)		10.00	10.00	10.00
20	Deferred Payment		1.50%	1.50%	1.50%
21	Meter Re-Read - (If Correct)		5.00	5.00	5.00
22	Meter Moved - Customer Requested		Cost	Cost	Cost
23	Late Payment Charge		1.50%	1.50%	1.50%
24	Damages To Locks, Valves, Seals		Cost	Cost (Plus \$40)	Cost (Plus \$40)

**GROUNDWATER WITHDRAWAL ASSESSMENT**

Groundwater Withdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes In  
Rates Charged By The Arizona Department Of Water Resources.  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

All Advances (AIAC) And/Or Contributions (CIAC) Are To Include Labor, Materials, Overhead,  
And All Applicable Taxes, Including All Gross-Up Taxes For Income Taxes

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Testimony, RLM

**PROOF OF RECOMMENDED REVENUE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED	(B) ANNUALIZED CUST'R & USAGE COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
Residential, Commercial				
1	5/8 X 3/4 - Inch	\$ 5.00	233,988	\$ 1,169,940
2	3/4 - Inch	5.00	348	1,740
3	1 - Inch	13.00	2,916	37,896
4	1 1/2 - Inch	27.84	17,980	500,599
5	2 - Inch	40.98	7,019	287,645
6	3 - Inch	69.96	300	20,989
7	4 - Inch	102.95	60	6,177
8	6 - Inch	140.93	108	15,220
Private Fire Protection				
9	Flat Rate 3 - Inch	\$ 6.00	12	\$ 72
10	Flat Rate 4 - Inch	9.00	660	5,942
11	Flat Rate 6 - Inch	12.50	588	7,349
12	Flat Rate 8 - Inch	20.00	120	2,400
13	Flat Rate 10 - Inch	30.00	0	0
14	Standby	\$ 3.50	756	\$ 2,646
Public Interruptible				
15	3 - Inch	\$ 0.00	0	\$ 0
16	8 - Inch	0.00	12	0
Irrigation				
17	1 - Inch	\$ 13.00	26	\$ 338
18	1 1/2 - Inch	27.99	1,404	39,304
19	2 - Inch	40.99	12	492
20	3 - Inch	69.99	12	840
21	4 - Inch	102.98	0	0
22	6 - Inch	140.81	24	3,379
23	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>266,345</u>	<u>\$ 2,102,968</u>
<b>COMMODITY RATES (Per 1,000 Gallons)</b>				
All Meters (Except construction, irrigation, public interruptible):				
24	Tier 1 (0 to 8,000 Gallons)	\$ 0.99	1,615,632,000	\$ 1,606,139
25	Tier 2 (Above 8,001 Gallons)	1.29	2,742,040,000	3,543,707
Construction, Irrigation, Public Interruptible Meters:				
26	Construction / Untreated CAP	\$ 1.49	0	\$ 0
27	Irrigation	1.96	396,750,000	776,466
28	Public Interruptible	1.49	0	0
29	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>4,754,422,000</u>	<u>\$ 5,926,312</u>
30	Unmetered Revenue			\$ 0
31	Other Revenue			113,419
32	Difference Between Bill Count And Revenue As Recorded			13,726
33	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><b>\$ 8,156,424</b></u>
34	Required Revenue (As Per Schedule RLM-1, Col. (D), L 10)			<u>8,156,424</u>
35	Difference			<u>\$ 0</u>

References:

Column (A): RLM-17, Page 1, Column (C)  
Column (B): RUCO Data Request 1.04  
Column (C): Columns (A) X (B)

**TYPICAL BILL ANALYSIS**  
**RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

		(A)	(B)	(C)	(D)	(E)
COMPANY PROPOSED						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	8,361	\$11.17	\$21.09	\$9.92	88.8%
2	Median	6,516	\$9.76	\$18.42	\$8.67	88.8%
RUCO PROPOSED						
3	Average	8,361	\$11.17	\$13.42	\$2.25	20.1%
4	Median	6,516	\$9.76	\$11.48	\$1.72	17.6%
5	Average Number Of Customers: 19214					

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company		RUCO	
			Prop'd Rates	% Increase	Prop'd Rates	% Increase
6	0	\$5.00	\$9.43	88.6%	\$5.00	0.0%
7	1,000	5.73	10.81	88.7%	5.98	4.4%
8	2,000	6.46	12.19	88.7%	6.97	7.9%
9	3,000	7.19	13.57	88.7%	7.95	10.6%
10	4,000	7.92	14.95	88.8%	8.94	12.8%
11	5,000	8.65	16.33	88.8%	9.92	14.7%
12	6,000	9.38	17.71	88.8%	10.90	16.2%
13	7,000	10.11	19.09	88.8%	11.89	17.6%
14	8,000	10.84	20.47	88.8%	12.87	18.7%
15	9,000	11.76	22.20	88.8%	14.15	20.3%
16	10,000	12.68	23.93	88.7%	15.43	21.7%
17	15,000	17.28	32.58	88.5%	21.82	26.3%
18	20,000	21.88	41.23	88.4%	28.22	29.0%
19	25,000	26.48	49.88	88.4%	34.61	30.7%
20	50,000	49.48	93.13	88.2%	66.59	34.6%
21	75,000	72.48	136.38	88.2%	98.57	36.0%
22	100,000	95.48	179.63	88.1%	130.54	36.7%
23	125,000	118.48	222.88	88.1%	162.52	37.2%
24	150,000	141.48	266.13	88.1%	194.49	37.5%
25	175,000	164.48	309.38	88.1%	226.47	37.7%
26	200,000	187.48	352.63	88.1%	258.44	37.9%

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	2	REVENUE REQUIREMENT
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RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1 TO 12	TEST YEAR PLANT SCHEDULES
RLM-5	1	POST-TEST YEAR 2001 PLANT
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RLM-8	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - CITIZENS SALARIES AND WAGES
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RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
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RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
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RLM-14	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
RLM-15	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
RLM-16	1	COST OF CAPITAL
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RLM-18	1	PROOF OF RECOMMENDED REVENUE
RLM-19	1	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJ'MENT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 8,893,529
2	Adjusted Operating Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 1,133,760
3	Current Rate Of Return (L2 / L1)	5.81%		8.37%	12.75%
4	Required Operating Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 584,358
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 392,593		\$ (87,181)	\$ (549,402)
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 639,391		\$ (141,984)	\$ (894,775)
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 5,088,340
10	Proposed Annual Revenue (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 4,193,565
11	Required Percentage Increase In Revenue (L8 / L9)	12.57%		-2.79%	-17.58%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedule RLM-2

Column (C): Recalculated After Adjusting To OCRB

Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19

**GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	<b>1.6286</b>			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. RLM-1, Col. (D), L4)	\$ 584,358			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. RLM-1, Col. (D), L2)	1,133,760			
13	Required Increase In Operating Income (L11 - L12)		\$ (549,402)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 124,023			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	341,728			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ (217,705)		
17	Total Required Increase In Revenue (L13 + L16)		\$ (767,107)		
				RUCO	
CALCULATION OF INCOME TAX:				Recommended	
18	Revenue (Sch. RLM-1, Col. (D), L10)			\$ 4,193,565	
19	Less: Opr'g Exp. Excl. Inc. Tax (RLM-6, Col. (E), L27 - L25)			3,612,852	
20	Less: Synchronized Interest (Col. (C), L37)			259,400	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 321,313	
22	Arizona State Income Tax Rate			6.97%	
23	Arizona Income Tax (L21 X L22)				\$ 22,389
24	Fed. Taxable Income (L21 - L23)			\$ 298,924	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			(12,266)	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 101,634
31	Combined Federal And State Income Tax (L23 + L30)				\$ 124,023
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L25)				\$ 341,728
33	Adjustment (L31 - L32) (See RLM-6, Col. (D), L25)				\$ (217,705)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-1, Pg 2, Col. (E), L16)			\$ 8,893,529	
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)			2.92%	
37	Synchronized Interest (L35 X L36)			\$ 259,400	

FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJMTS TO OCRB	(C) RUCO ADJUSTED TO OCRB	(D) RUCO OCRB ADJMTS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 51,811,232	\$ (31,848,452)	\$ 19,962,780	\$ 596,198	\$ 20,558,978
	Less:					
2	Accumulated Depreciation	20,408,401	(13,218,862)	7,189,539	479,766	7,669,305
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 31,402,831</u>	<u>\$ (18,629,590)</u>	<u>\$ 12,773,241</u>	<u>\$ 116,432</u>	<u>\$ 12,889,673</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	<u>\$ 8,588,165</u>	<u>\$ 0</u>	<u>\$ 3,309,005</u>	<u>\$ 0</u>	<u>\$ 3,309,005</u>
5	Contribution In Aid Of Const. ("CIAC")	\$ 3,081,090	\$ (1,893,951)	\$ 1,187,139	\$ 0	\$ 1,187,139
6	Less: Accumulated Amortization	-	-	-	-	0
7	NET CIAC (L5 - L6)	<u>\$ 3,081,090</u>	<u>\$ (1,893,951)</u>	<u>\$ 1,187,139</u>	<u>\$ 0</u>	<u>\$ 1,187,139</u>
8	Customer Meter Deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Tolleson Trickling Filter	\$ 500,000	\$ 0	\$ 500,000	\$ 0	\$ 500,000
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	5,264,640	5,264,640	(5,264,640)	0
15	Adjustment Due To Rounding	1	-	(1)	-	0
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 20,233,577</u></u>	<u><u>\$ (11,470,999)</u></u>	<u><u>\$ 14,041,736</u></u>	<u><u>\$ (5,148,208)</u></u>	<u><u>\$ 8,893,529</u></u>

References:

Column (A): Company Schedule B-1  
Column (B): Testimony, RLM  
Column (C): Column (A) + Column (B)  
Column (D): Schedule RLM-4  
Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJM'T # 1	(C) RUCO ADJM'T # 2	(D) RUCO ADJM'T # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 19,962,780	\$ 608,623	\$ (12,425)	\$ 0	\$ 20,558,978
	Less:					
2	Accumulated Depreciation	7,189,539	474,486	5,280	-	7,669,305
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 12,773,241</u>	<u>\$ 134,138</u>	<u>\$ (17,705)</u>	<u>\$ 0</u>	<u>\$ 12,889,673</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 3,309,005	\$ 0	\$ 0	\$ 0	\$ 3,309,005
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,187,139	\$ 0	\$ 0	\$ 0	1,187,139
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,187,139</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,187,139</u>
8	Customer Meter Deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Tolleson Trickling Filter	\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 500,000
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	5,264,640	-	-	(5,264,640)	0
15	Adjustment Due To Rounding	1				0
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 14,041,738</u></u>	<u><u>\$ 134,138</u></u>	<u><u>\$ (17,705)</u></u>	<u><u>\$ (5,264,640)</u></u>	<u><u>\$ 8,893,529</u></u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-4, Page 12, Col (E) & (F), L 43)

Column (C): Adjustment To Post Test Year Plant And Accumulated Depreciation (See RLM-5, Page 1, Col (E) & (F), L 51)

Column (D): Adjustment To Citizens Acquisition Adjustment (See Testimony, RLM)

Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES**  
**COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1995 TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 CO. AS FILED TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 CO. AS FILED TOTAL PLANT	(E) ADJMT # 3 TO 03/31/95 CO. AS FILED TOTAL PLANT	(F) ACTUAL 03/31/95 PRIOR T. Y. TOTAL PLANT
<b>INTANGIBLE</b>								
1	301.00	Organization	0.0000	\$ 34	\$ 0	\$ 0	\$ 0	\$ 34
2	302.00	Franchises	0.0000	3,787	-	-	-	3,787
3	303.00	Miscellaneous Intangibles	0.0000	868	-	-	-	868
4		<b>SUBTOTAL INTANGIBLE</b>		<b>\$ 4,689</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,689</b>
<b>TREATMENT AND DISCHARGE</b>								
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0004	5,164	-	(158)	389	5,395
7	312.00	Preliminary Treatment	0.0000	-	-	-	-	0
8	313.00	Primary Treatment Equipment	0.0000	-	-	-	-	0
9	314.00	Secondary Treatment Equipment	0.0000	-	-	-	-	0
10	315.00	Tertiary Equipment	0.0000	-	-	-	-	0
11	316.00	Disinfection Equipment	0.0000	-	-	-	-	0
12	317.00	Effluent Lift Station E	0.0001	1,630	-	(50)	123	1,703
13	318.00	Outfall Line	0.0000	295	-	(9)	22	308
14	319.00	Sludge, Treatment And Distribution	0.0000	-	-	-	0	0
15	321.00	Influent Lift Station	0.0006	8,082	-	(247)	608	8,443
16	322.00	General Treatment Equipment	0.0010	13,396	-	(409)	1,008	13,995
17		<b>SUBTOTAL TREATMENT AND DISCHARGE</b>		<b>\$ 28,567</b>	<b>\$ 0</b>	<b>\$ (873)</b>	<b>\$ 2,150</b>	<b>\$ 29,844</b>
<b>COLLECTION AND INFLUENT</b>								
18	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	0.0073	98,208	-	(3,000)	7,388	102,596
20	342.00	Collection System Lift	0.0450	603,199	-	(18,426)	45,378	630,151
21	343.00	Collection Mains	0.6216	8,324,927	-	(254,298)	626,274	8,696,903
22	344.00	Force Mains	0.0162	216,804	-	(6,623)	16,310	226,491
23	345.00	Discharge Services	0.1570	2,102,359	-	(64,220)	158,158	2,196,297
24	348.00	Manholes	0.1585	2,123,221	-	(64,857)	159,727	2,218,091
25		<b>SUBTOTAL COLLECTION AND INFLUENT</b>		<b>\$ 13,468,718</b>	<b>\$ 0</b>	<b>\$ (411,424)</b>	<b>\$ 1,013,236</b>	<b>\$ 14,070,530</b>
<b>GENERAL</b>								
26	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0266	-	355,671	-	26,767	382,438
28	391.00	Office Furniture And Equipment	0.0351	-	469,479	-	35,328	504,807
29	391.10	Computer Equipment	0.0327	-	438,421	-	32,992	471,413
30	392.00	Transportation Equipment	0.0000	2,485	180	-	24	2,689
31	393.00	Stores Equipment	0.0000	-	-	-	10	10
32	394.00	Tools, Shop And Garage	0.0003	55,689	4,004	-	311	60,004
33	395.00	Laboratory Equipment	0.0000	1,375	100	-	18	1,493
34	396.00	Power Operated Equipment	0.0000	-	-	-	10	10
35	397.00	Communication Equipment	0.0000	-	-	-	10	10
36	398.00	Miscellaneous Equipment	0.0001	20,005	1,439	-	118	21,563
37		<b>SUBTOTAL GENERAL</b>		<b>\$ 79,554</b>	<b>\$ 1,269,295</b>	<b>\$ 0</b>	<b>\$ 95,588</b>	<b>\$ 1,444,437</b>
38		<b>TOTAL WASTEWATER PLANT</b>		<b>\$ 13,581,528</b>	<b>\$ 1,269,295</b>	<b>\$ (412,297)</b>	<b>\$ 1,110,974</b>	<b>\$ 15,549,500</b>
39		Youngtown Plant		\$ (96,727)	\$ 0	\$ 0	\$ 96,727	\$ 0
40		AFUDC ADJUSTMENT 3/95		(93,075)	-	-	93,075	0
41		Adjustment Due To Rounding		-	-	-	-	0
42		<b>ADJUSTED WASTEWATER PLANT</b>		<b>\$ 13,391,726</b>	<b>\$ 1,269,295</b>	<b>\$ (412,297)</b>	<b>\$ 1,300,776</b>	<b>\$ 15,549,500</b>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L42)

Column (B): Company Schedule B-2, Page 6a

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of General Plant Of \$1,269,295 As Per Prior Application Schedule B-2

Column (D): Column (A) (Line Item Allocation Factor) X Total Adjustment Of AFUDC Of (\$412,297) As Per Prior Application Schedule B-2

Column (E): Column (A) (Line Item Allocation Factor) X Total Adjustment Of Youngtown Acquisition Of \$1,110,974 As Per Prior Application Schedule B-2

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
COMPANY'S PRIOR FILING VERSUS TOTAL PLANT ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) ACTUAL 03/31/1995 PRIOR T. Y. TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(E) ACC APPR'D ADJUSTED PRIOR T. Y. TOTAL PLANT
INTANGIBLE							
1	301.00	Organization	0.0000	\$ 34	\$ 0	\$ 0	\$ 34
2	302.00	Franchises	0.0000	3,787	-	-	3,787
3	303.00	Miscellaneous Intangibles	0.0000	868	-	-	868
4		SUBTOTAL INTANGIBLE		<u>\$ 4,689</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,689</u>
TREATMENT AND DISCHARGE							
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0003	5,395	(71)	-	5,324
7	312.00	Preliminary Treatment	0.0000	-	-	-	0
8	313.00	Primary Treatment Equipment	0.0000	-	-	-	0
9	314.00	Secondary Treatment Equipment	0.0000	-	-	-	0
10	315.00	Tertiary Equipment	0.0000	-	-	-	0
11	316.00	Disinfection Equipment	0.0000	-	-	-	0
12	317.00	Effluent Lift Station E	0.0001	1,703	(22)	-	1,680
13	318.00	Outfall Line	0.0000	308	(4)	-	304
14	319.00	Sludge, Treatment And Distribution	0.0000	-	-	-	0
15	321.00	Influent Lift Station	0.0005	8,443	(111)	-	8,332
16	322.00	General Treatment Equipment	0.0009	13,995	(184)	-	13,811
17		SUBTOTAL TREATMENT AND DISCHARGE		<u>\$ 29,844</u>	<u>\$ (393)</u>	<u>\$ 0</u>	<u>\$ 29,451</u>
COLLECTION AND INFLUENT							
18	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	0.0066	102,596	(1,349)	-	101,247
20	342.00	Collection System Lift	0.0405	630,151	(8,287)	-	621,864
21	343.00	Collection Mains	0.5593	8,696,903	(114,369)	-	8,582,534
22	344.00	Force Mains	0.0146	226,491	(2,979)	-	223,513
23	345.00	Discharge Services	0.1412	2,196,297	(28,883)	-	2,167,415
24	348.00	Manholes	0.1426	2,218,091	(29,169)	-	2,188,922
25		SUBTOTAL COLLECTION AND INFLUENT		<u>\$ 14,070,530</u>	<u>\$ (185,035)</u>	<u>\$ 0</u>	<u>\$ 13,885,495</u>
GENERAL							
26	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0246	382,438	-	-	382,438
28	391.00	Office Furniture And Equipment	0.0325	504,807	-	(13,792)	491,016
29	391.10	Computer Equipment	0.0303	471,413	-	(12,879)	458,534
30	392.00	Transportation Equipment	0.0002	2,689	-	(73)	2,615
31	393.00	Stores Equipment	0.0000	10	-	-	10
32	394.00	Tools, Shop And Garage	0.0039	60,004	-	(1,639)	58,365
33	395.00	Laboratory Equipment	0.0001	1,493	-	(41)	1,452
34	396.00	Power Operated Equipment	0.0000	10	-	-	10
35	397.00	Communication Equipment	0.0000	10	-	-	10
36	398.00	Miscellaneous Equipment	0.0014	21,563	-	(589)	20,974
37		SUBTOTAL GENERAL		<u>\$ 1,444,437</u>	<u>\$ 0</u>	<u>\$ (29,014)</u>	<u>\$ 1,415,424</u>
38		TOTAL WASTEWATER PLANT		<u>\$ 15,549,500</u>	<u>\$ (185,428)</u>	<u>\$ (29,014)</u>	<u>\$ 15,335,058</u>
39		Youngtown Plant		\$ 0	\$ 0	\$ 0	\$ 0
40		AFUDC ADJUSTMENT 3/95		-	-	-	0
41		Adjustment Due To Rounding		-	-	-	0
42		ADJUSTED WASTEWATER PLANT		<u>\$ 15,549,500</u>	<u>\$ (185,428)</u>	<u>\$ (29,014)</u>	<u>\$ 15,335,058</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L42)  
Column (B): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (C): Commission Approved Adjustment Decision No. 60172, Exhibit A Per AR-13, Youngtown Plant And Youngtown Adjustment  
Column (D): Commission Approved Adjustment Decision No. 60172, Exhibit A Per SAO Common Plant  
Column (E): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

**TEST YEAR PLANT SCHEDULES CONT'D**  
**COMPANY'S PRESENT FILING VERSUS ACCUMULATED DEPRECIATION FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCN FACTOR	(B) PREV. APPL'N CO. AS FILED 12/31/1994 ACC. DEP.	(C) ADJMT # 1 TO 12/31/94 ACC. DEP.	(D) ACTUAL 03/31/1995 PRIOR T. Y. ACC. DEP.	(E) ADJMT # 2 TO 03/31/95 PRIOR T. Y. ACC. DEP.	(F) ACC APPR'D ADJUSTED PRIOR T. Y. ACC. DEP.
<b>INTANGIBLE</b>								
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		<b>SUBTOTAL INTANGIBLE</b>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TREATMENT AND DISCHARGE</b>								
5	310.00	Land And Land Rights	0.0000	\$ 0	0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0001	240	31	271	-	271
7	312.00	Preliminary Treatment	0.0000	-	-	-	-	0
8	313.00	Primary Treatment Equipment	0.0000	-	-	-	-	0
9	314.00	Secondary Treatment Equipment	0.0000	-	-	-	-	0
10	315.00	Tertiary Equipment	0.0000	-	-	-	-	0
11	316.00	Disinfection Equipment	0.0000	-	-	-	-	0
12	317.00	Effluent Lift Station E	0.0000	151	20	171	-	171
13	318.00	Outfall Line	0.0000	41	5	46	-	46
14	319.00	Sludge, Treatment And Distribution	0.0000	-	-	-	-	0
15	321.00	Influent Lift Station	0.0000	(2,195)	5	(2,190)	-	(2,190)
16	322.00	General Treatment Equipment	0.0004	1,732	225	1,957	-	1,957
17		<b>SUBTOTAL TREATMENT AND DISCHARGE</b>		<u>\$ (31)</u>	<u>\$ 285</u>	<u>\$ 254</u>	<u>\$ 0</u>	<u>\$ 254</u>
<b>COLLECTION AND INFLUENT</b>								
18	340.00	Land And Land Rights	0.0000	\$ 0	0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	0.0010	4,378	567	4,945	-	4,945
20	342.00	Collection System Lift	0.0327	146,042	18,898	164,940	-	164,940
21	343.00	Collection Mains	0.6212	2,771,656	358,645	3,130,301	-	3,130,301
22	344.00	Force Mains	0.0056	24,789	3,208	27,997	-	27,997
23	345.00	Discharge Services	0.1718	766,545	99,189	865,734	-	865,734
24	348.00	Manholes	0.1610	718,170	92,929	811,099	-	811,099
25		<b>SUBTOTAL COLLECTION AND INFLUENT</b>		<u>\$ 4,431,580</u>	<u>\$ 573,436</u>	<u>\$ 5,005,016</u>	<u>\$ 0</u>	<u>\$ 5,005,016</u>
<b>GENERAL</b>								
26	389.00	Land And Land Rights	0.0000	\$ 0	0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	0.0000	-	-	-	-	0
28	391.00	Office Furniture And Equipment	0.0000	-	-	-	-	0
29	391.10	Computer Equipment	0.0000	-	-	-	-	0
30	392.00	Transportation Equipment	0.0002	985	128	1,113	-	1,113
31	393.00	Stores Equipment	0.0000	-	-	-	-	0
32	394.00	Tools, Shop And Garage	0.0020	8,867	1,147	10,014	-	10,014
33	395.00	Laboratory Equipment	0.0003	1,243	161	1,404	-	1,404
34	396.00	Power Operated Equipment	0.0000	-	-	-	-	0
35	397.00	Communication Equipment	0.0000	-	-	-	-	0
36	398.00	Miscellaneous Equipment	0.0042	18,794	2,432	21,226	-	21,226
37		<b>SUBTOTAL GENERAL</b>		<u>\$ 29,889</u>	<u>\$ 3,868</u>	<u>\$ 33,757</u>	<u>\$ 0</u>	<u>\$ 33,757</u>
38		<b>TOTAL WASTEWATER PLANT ACC. DEP.</b>		<u>\$ 4,461,438</u>	<u>\$ 577,589</u>	<u>\$ 5,039,027</u>	<u>\$ 0</u>	<u>\$ 5,039,027</u>
39		Youngtown Plant		\$ 0	0	0	0	0
40		AFUDC ADJUSTMENT 3/95		-	-	-	-	0
41		Adjustment Due To Rounding		-	-	-	-	0
42		<b>ADJUSTED WASTEWATER PLANT ACC. DEP.</b>		<u>\$ 4,461,438</u>	<u>\$ 577,589</u>	<u>\$ 5,039,027</u>	<u>\$ 0</u>	<u>\$ 5,039,027</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Accumulated Depreciation Value (Col. (B), L42)  
Column (B): Company Prior Application Exhibit RJM-4b  
Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$26,220  
Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (E): Intentionally Left Blank  
Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
PRIOR TEST YEAR ENDED MARCH 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
INTANGIBLE								
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 34	\$ 0	\$ 34
2	302.00	Franchises	0.00%	-	-	3,787	-	3,787
3	303.00	Miscellaneous Intangibles	0.00%	-	-	868	-	868
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 4,689	\$ 0	\$ 4,689
TREATMENT AND DISCHARGE								
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
6	311.00	Structures And Improvements	2.50%	-	-	5,324	271	5,053
7	312.00	Preliminary Treatment	0.00%	-	-	-	-	-
8	313.00	Primary Treatment Equipment	0.00%	-	-	-	-	-
9	314.00	Secondary Treatment Equipment	2.52%	-	-	-	-	-
10	315.00	Tertiary Equipment	0.00%	-	-	-	-	-
11	316.00	Disinfection Equipment	0.00%	-	-	-	-	-
12	317.00	Effluent Lift Station E	2.00%	-	-	1,680	171	1,510
13	318.00	Outfall Line	2.00%	-	-	304	46	258
14	319.00	Sludge, Treatment And Distribution	2.50%	-	-	-	-	0
15	321.00	Influent Lift Station	2.00%	-	-	8,332	(2,190)	10,523
16	322.00	General Treatment Equipment	2.00%	-	-	13,811	1,957	11,854
17		SUBTOTAL TREATMENT AND DISCHARGE		\$ 0	\$ 0	\$ 29,451	\$ 254	\$ 29,197
COLLECTION AND INFLUENT								
18	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	2.00%	-	-	101,247	4,945	96,302
20	342.00	Collection System Lift	8.40%	-	-	621,864	164,940	456,925
21	343.00	Collection Mains	2.04%	-	-	8,582,534	3,130,301	5,452,232
22	344.00	Force Mains	2.07%	-	-	223,513	27,997	195,516
23	345.00	Discharge Services	2.04%	-	-	2,167,415	865,734	1,301,680
24	348.00	Manholes	2.03%	-	-	2,188,922	811,099	1,377,823
25		SUBTOTAL COLLECTION AND INFLUENT		\$ 0	\$ 0	\$ 13,885,495	\$ 5,005,016	\$ 8,880,479
GENERAL								
26	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	1.68%	-	-	382,438	-	382,438
28	391.00	Office Furniture And Equipment	4.55%	-	-	491,016	-	491,016
29	391.10	Computer Equipment	4.55%	-	-	458,534	-	458,534
30	392.00	Transportation Equipment	25.00%	-	-	2,615	1,113	1,503
31	393.00	Stores Equipment	3.92%	-	-	10	-	10
32	394.00	Tools, Shop And Garage	4.14%	-	-	58,365	10,014	48,351
33	395.00	Laboratory Equipment	3.71%	-	-	1,452	1,404	48
34	396.00	Power Operated Equipment	5.14%	-	-	10	-	10
35	397.00	Communication Equipment	10.28%	-	-	10	-	10
36	398.00	Miscellaneous Equipment	4.98%	-	-	20,974	21,226	(252)
37		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 1,415,424	\$ 33,757	\$ 1,381,667
39		Youngtown Plant	2.80%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
40		AFUDC ADJUSTMENT 3/95	2.80%	-	-	-	-	0
41		Adjustment Due To Rounding		-	-	-	-	0
42		TOTAL WASTEWATER PLANT		\$ 0	\$ 0	\$ 15,335,058	\$ 5,039,027	\$ 10,296,031

References:

Column (A): Prior Decision No. 60172 And Company Schedule C-2, Page 6  
Column (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule RLM-4, Page 2  
Column (E): Schedule RLM-4, Page 3  
Column (F): Column (D) + Column (E)

TEST YEAR PLANT SCHEDULES CONT'D  
FROM MARCH 31, 1995 TO DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34	\$ 0	\$ 34
2	302.00	Franchises	1,427	-	-	-	5,214	-	5,214
3	303.00	Miscellaneous Intangibles	-	-	-	-	868	-	868
4		SUBTOTAL INTANGIBLE	\$ 1,427	\$ 0	\$ 0	\$ 0	\$ 6,116	\$ 0	\$ 6,116
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)
6	311.00	Structures And Improvements	306	-	-	103	5,630	374	5,256
7	312.00	Preliminary Treatment	-	-	-	-	-	-	-
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	-	-	-	-	-	-	-
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	-	-	-	25	1,680	196	1,485
13	318.00	Outfall Line	-	-	-	5	304	51	253
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	0
15	321.00	Influent Lift Station	-	-	-	125	8,332	(2,065)	10,398
16	322.00	General Treatment Equipment	3	1,112	-	216	12,702	1,060	11,641
17		SUBTOTAL TREAT & DIS.	\$ 309	\$ 1,112	\$ 0	\$ 473	\$ 28,648	\$ (385)	\$ 29,033
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	12,965	-	-	1,616	114,212	6,561	107,651
20	342.00	Collection System Lift	85,017	2,300	-	41,928	704,581	204,567	500,014
21	343.00	Collection Mains	34,085	1,440	-	131,585	8,615,179	3,260,446	5,354,733
22	344.00	Force Mains	185,990	-	-	4,914	409,503	32,910	376,592
23	345.00	Discharge Services	5,854	-	-	33,206	2,173,269	898,940	1,274,328
24	348.00	Manholes	11,421	-	-	33,413	2,200,343	844,513	1,355,830
25		SUBTOTAL COLL. & INFLU.	\$ 335,332	\$ 3,740	\$ 0	\$ 246,662	\$ 14,217,087	\$ 5,247,938	\$ 8,969,149
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	4,821	382,438	4,821	377,617
28	391.00	Office Furniture & Equipment	-	-	-	16,738	491,016	16,738	474,278
29	391.10	Computer Equipment	-	-	-	15,631	458,534	15,631	442,903
30	392.00	Transportation Equipment	-	-	-	490	2,615	1,603	1,012
31	393.00	Stores Equipment	-	-	-	0	10	0	10
32	394.00	Tools, Shop And Garage	-	-	-	1,810	58,365	11,824	46,541
33	395.00	Laboratory Equipment	-	-	-	40	1,452	1,444	8
34	396.00	Power Operated Equipment	-	-	-	0	10	0	10
35	397.00	Communication Equipment	-	-	-	1	10	1	9
36	398.00	Miscellaneous Equipment	-	-	-	783	20,974	22,009	(1,036)
37		SUBTOTAL GENERAL	\$ 0	\$ 0	\$ 0	\$ 40,316	\$ 1,415,424	\$ 74,073	\$ 1,341,351
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	1	-	-	-	1	-	0
41		<b>TOTAL WASTEWATER PLT</b>	<b>\$ 337,069</b>	<b>\$ 4,852</b>	<b>\$ 0</b>	<b>\$ 287,450</b>	<b>\$ 15,667,275</b>	<b>\$ 5,321,625</b>	<b>\$ 10,345,649</b>

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1 22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 4, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 122,339	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	-	-	-	5,214	-	5,214
3	303.00	Miscellaneous Intangibles	9,627	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	<u>\$ 131,966</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 138,082</u>	<u>\$ 0</u>	<u>\$ 138,082</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 5,656	\$ 0	\$ 0	\$ 0	\$ 5,656	\$ 0	\$ 5,656
6	311.00	Structures And Improvements	18,450	-	-	371	24,080	745	23,335
7	312.00	Preliminary Treatment	-	-	-	-	-	-	-
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	-	-	-	-	-	-	-
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	-	-	-	34	1,680	229	1,451
13	318.00	Outfall Line	-	-	-	6	304	57	247
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	-
15	321.00	Influent Lift Station	-	-	-	167	8,332	(1,899)	10,231
16	322.00	General Treatment Equipment	-	-	-	254	12,702	1,314	11,387
17		SUBTOTAL TREAT & DIS.	<u>\$ 24,106</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 832</u>	<u>\$ 52,754</u>	<u>\$ 447</u>	<u>\$ 52,307</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	4,039	-	-	2,325	118,251	8,885	109,366
20	342.00	Collection System Lift	19,599	-	-	60,008	724,180	264,575	459,605
21	343.00	Collection Mains	881,845	-	-	184,744	9,497,024	3,445,190	6,051,833
22	344.00	Force Mains	-	123,366	-	9,754	286,137	(80,702)	366,839
23	345.00	Discharge Services	21,425	-	-	44,553	2,194,694	943,494	1,251,200
24	348.00	Manholes	81,686	-	-	45,496	2,282,030	890,009	1,392,021
25		SUBTOTAL COLL. & INFLU.	<u>\$ 1,008,594</u>	<u>\$ 123,366</u>	<u>\$ 0</u>	<u>\$ 346,880</u>	<u>\$ 15,102,316</u>	<u>\$ 5,471,451</u>	<u>\$ 9,630,864</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	6,428	382,438	11,249	371,189
28	391.00	Office Furniture & Equipment	24,109	-	-	22,865	515,125	39,603	475,522
29	391.10	Computer Equipment	-	-	-	20,842	458,534	36,473	422,061
30	392.00	Transportation Equipment	5,596	-	-	1,353	8,211	2,956	5,255
31	393.00	Stores Equipment	-	-	-	0	10	1	9
32	394.00	Tools, Shop And Garage	55,781	-	-	3,567	114,146	15,391	98,755
33	395.00	Laboratory Equipment	-	-	-	54	1,452	1,498	(46)
34	396.00	Power Operated Equipment	-	-	-	1	10	1	9
35	397.00	Communication Equipment	-	-	-	1	10	2	8
36	398.00	Miscellaneous Equipment	-	-	-	1,044	20,974	23,054	(2,080)
37		SUBTOTAL GENERAL	<u>\$ 85,486</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,155</u>	<u>\$ 1,500,910</u>	<u>\$ 130,228</u>	<u>\$ 1,370,682</u>
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	-	-	-	-	(1)	-	(1)
41		TOTAL WASTEWATER PLT	<u>\$ 1,250,152</u>	<u>\$ 123,366</u>	<u>\$ 0</u>	<u>\$ 403,867</u>	<u>\$ 16,794,060</u>	<u>\$ 5,602,126</u>	<u>\$ 11,191,934</u>

References:

Columns (A) (B): Company Response To RUCC Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	918	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous intangibles	-	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	\$ 918	\$ 0	\$ 0	\$ 0	\$ 139,000	\$ 0	\$ 139,000
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,656	\$ 0	\$ 5,656
6	311.00	Structures And Improvements	-	370	-	607	23,710	982	22,728
7	312.00	Preliminary Treatment	-	-	-	-	-	-	-
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	-	-	-	-	-	-	-
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	-	146	-	35	1,534	118	1,416
13	318.00	Outfall Line	-	-	-	6	304	63	241
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	0
15	321.00	Influent Lift Station	-	577	-	172	7,755	(2,303)	10,058
16	322.00	General Treatment Equipment	-	150	-	256	12,552	1,420	11,132
17		SUBTOTAL TREAT. & DIS.	\$ 0	\$ 1,243	\$ 0	\$ 1,076	\$ 51,511	\$ 280	\$ 51,231
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	-	635	-	2,371	117,616	10,622	106,994
20	342.00	Collection System Lift	4,929	22,311	-	61,975	706,798	304,240	402,559
21	343.00	Collection Mains	96,310	10,813	-	194,832	9,582,521	3,629,209	5,953,311
22	344.00	Force Mains	-	6,411	-	5,989	279,726	(81,124)	360,849
23	345.00	Discharge Services	2,704	-	-	44,799	2,197,398	988,293	1,209,105
24	348.00	Manholes	2,178	4,758	-	46,396	2,279,450	931,646	1,347,803
25		SUBTOTAL COLL. & INFLU.	\$ 106,121	\$ 44,928	\$ 0	\$ 356,363	\$ 15,163,509	\$ 5,782,886	\$ 9,380,622
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	6,428	382,438	17,677	364,761
28	391.00	Office Furniture & Equipment	-	24,109	-	23,961	491,016	39,454	451,561
29	391.10	Computer Equipment	-	-	-	20,842	458,534	57,315	401,219
30	392.00	Transportation Equipment	-	5,796	-	2,777	2,415	(63)	2,478
31	393.00	Stores Equipment	-	-	-	0	10	1	9
32	394.00	Tools, Shop And Garage	-	63,793	-	6,039	50,354	(42,362)	92,716
33	395.00	Laboratory Equipment	7,627	-	-	195	9,080	1,693	7,386
34	396.00	Power Operated Equipment	-	-	-	1	10	1	9
35	397.00	Communication Equipment	-	-	-	1	10	3	7
36	398.00	Miscellaneous Equipment	-	33	-	1,045	20,941	24,067	(3,126)
37		SUBTOTAL GENERAL	\$ 7,627	\$ 93,730	\$ 0	\$ 61,289	\$ 1,414,807	\$ 97,786	\$ 1,317,021
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	\$ -	-	-
40		Adjustment Due To Rounding	-	-	-	-	(2)	-	0
41		<b>TOTAL WASTEWATER PLT</b>	<b>\$ 114,666</b>	<b>\$ 139,901</b>	<b>\$ 0</b>	<b>\$ 418,728</b>	<b>\$ 16,768,825</b>	<b>\$ 5,880,952</b>	<b>\$ 10,887,874</b>

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous Intangibles	-	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 139,000	\$ 0	\$ 139,000
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,656	\$ 0	\$ 5,656
6	311.00	Structures And Improvements	-	1,455	-	611	22,255	138	22,117
7	312.00	Preliminary Treatment	-	-	-	-	-	-	-
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	-	-	-	-	-	-	-
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	19	-	-	31	1,553	149	1,404
13	318.00	Outfall Line	-	-	-	6	304	69	235
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	0
15	321.00	Influent Lift Station	77	-	-	156	7,832	(2,147)	9,980
16	322.00	General Treatment Equipment	20	-	-	251	12,572	1,671	10,901
17		SUBTOTAL TREAT. & DIS.	\$ 116	\$ 1,455	\$ 0	\$ 1,055	\$ 50,172	\$ (120)	\$ 50,292
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	9,463	-	-	2,447	127,079	13,068	114,011
20	342.00	Collection System Lift	21,327	-	-	60,267	728,126	364,507	363,619
21	343.00	Collection Mains	-	11,677	-	195,603	9,570,844	3,813,135	5,757,709
22	344.00	Force Mains	-	677	-	5,797	279,049	(76,003)	355,052
23	345.00	Discharge Services	236	-	-	44,829	2,197,634	1,033,122	1,164,512
24	348.00	Manholes	-	4,146	-	46,315	2,275,303	973,816	1,301,487
25		SUBTOTAL COLL. & INFLU.	\$ 31,027	\$ 16,500	\$ 0	\$ 355,258	\$ 15,178,036	\$ 6,121,645	\$ 9,056,391
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	6,428	382,438	24,105	358,333
28	391.00	Office Furniture & Equipment	8,671	-	-	22,514	499,687	61,968	437,718
29	391.10	Computer Equipment	-	-	-	20,842	458,534	78,157	380,377
30	392.00	Transportation Equipment	27	-	-	657	2,442	595	1,848
31	393.00	Stores Equipment	-	-	-	0	10	1	9
32	394.00	Tools, Shop And Garage	998	-	-	2,434	51,352	(39,928)	91,280
33	395.00	Laboratory Equipment	-	6,621	-	177	2,459	(4,751)	7,210
34	396.00	Power Operated Equipment	-	-	-	1	10	2	8
35	397.00	Communication Equipment	-	-	-	1	10	4	6
36	398.00	Miscellaneous Equipment	33	-	-	1,045	20,974	25,112	(4,138)
37		SUBTOTAL GENERAL	\$ 9,729	\$ 6,621	\$ 0	\$ 54,099	\$ 1,417,915	\$ 145,264	\$ 1,272,651
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	(1)	-	-	-	(1)	-	(1)
41		TOTAL WASTEWATER PLT	\$ 40,871	\$ 24,576	\$ 0	\$ 410,412	\$ 16,785,122	\$ 6,266,789	\$ 10,518,333

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous Intangibles	-	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 139,000</u>	<u>\$ 0</u>	<u>\$ 139,000</u>
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,656	\$ 0	\$ 5,656
6	311.00	Structures And Improvements	55,490	-	-	1,250	77,745	1,388	76,357
7	312.00	Preliminary Treatment	453	-	-	-	453	-	453
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	833	-	-	10	833	10	822
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	-	-	-	34	1,553	229	1,324
13	318.00	Outfall Line	-	-	-	6	304	57	247
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	0
15	321.00	Influent Lift Station	-	-	-	167	7,832	(1,899)	9,731
16	322.00	General Treatment Equipment	-	-	-	254	12,572	1,314	11,257
17		SUBTOTAL TREAT. & DIS.	<u>\$ 56,776</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,721</u>	<u>\$ 106,948</u>	<u>\$ 1,100</u>	<u>\$ 105,847</u>
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	-	-	-	2,542	127,080	15,610	111,470
20	342.00	Collection System Lift	194,395	-	-	69,327	922,520	433,834	488,687
21	343.00	Collection Mains	204,676	-	-	197,333	9,775,520	4,010,468	5,765,052
22	344.00	Force Mains	1,836,903	-	-	24,788	2,115,952	(51,215)	2,167,167
23	345.00	Discharge Services	92,604	-	-	45,776	2,290,238	1,078,898	1,211,340
24	348.00	Manholes	167,853	-	-	47,892	2,443,157	1,021,708	1,421,448
25		SUBTOTAL COLL. & INFLU.	<u>\$ 2,496,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 387,659</u>	<u>\$ 17,674,468</u>	<u>\$ 6,509,303</u>	<u>\$ 11,165,164</u>
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	5,000	-	-	6,470	387,438	30,575	356,863
28	391.00	Office Furniture & Equipment	-	-	-	22,711	499,687	84,680	415,007
29	391.10	Computer Equipment	-	-	-	20,842	458,534	98,999	359,535
30	392.00	Transportation Equipment	-	-	-	611	2,442	1,205	1,237
31	393.00	Stores Equipment	-	-	-	0	10	2	8
32	394.00	Tools, Shop And Garage	-	-	-	2,123	51,352	(37,805)	89,157
33	395.00	Laboratory Equipment	-	-	-	91	2,459	(4,660)	7,119
34	396.00	Power Operated Equipment	-	-	-	1	10	2	8
35	397.00	Communication Equipment	-	-	-	1	10	5	5
36	398.00	Miscellaneous Equipment	4,886	-	-	1,166	25,859	26,278	(419)
37		SUBTOTAL GENERAL	<u>\$ 9,886</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,016</u>	<u>\$ 1,427,801</u>	<u>\$ 199,281</u>	<u>\$ 1,228,520</u>
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	(1)	-	-	-	(2)	-	0
41		<b>TOTAL WASTEWATER PLT</b>	<u><b>\$ 2,563,092</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 443,396</b></u>	<u><b>\$ 19,348,214</b></u>	<u><b>\$ 6,709,684</b></u>	<u><b>\$ 12,638,532</b></u>

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 8, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 8, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 8, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous Intangibles	-	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 139,000	\$ 0	\$ 139,000
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,656	\$ 0	\$ 5,656
6	311.00	Structures And Improvements	-	-	-	1,944	77,745	3,331	74,413
7	312.00	Preliminary Treatment	-	-	-	-	453	-	453
8	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-
9	314.00	Secondary Treatment Equip.	-	-	-	21	833	31	801
10	315.00	Tertiary Equipment	-	-	-	-	-	-	-
11	316.00	Disinfection Equipment	-	-	-	-	-	-	-
12	317.00	Effluent Lift Station E	-	-	-	31	1,553	260	1,293
13	318.00	Outfall Line	-	4	-	6	300	59	241
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	-
15	321.00	Influent Lift Station	-	7,403	-	231	429	(9,071)	9,500
16	322.00	General Treatment Equipment	-	2	-	251	12,570	1,564	11,006
17		SUBTOTAL TREAT. & DIS.	\$ 0	\$ 7,409	\$ 0	\$ 2,484	\$ 99,539	\$ (3,825)	\$ 103,364
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	-	-	-	2,542	127,080	18,152	108,928
20	342.00	Collection System Lift	1,858	85,049	-	81,142	839,330	429,927	409,403
21	343.00	Collection Mains	248,860	8,810	-	202,049	10,015,569	4,203,707	5,811,863
22	344.00	Force Mains	23,189	85,040	-	44,920	2,054,101	(91,335)	2,145,436
23	345.00	Discharge Services	53,608	6	-	47,268	2,343,840	1,126,166	1,217,674
24	348.00	Manholes	53,524	239	-	50,142	2,496,441	1,071,611	1,424,830
25		SUBTOTAL COLL. & INFLU.	\$ 381,039	\$ 179,144	\$ 0	\$ 428,062	\$ 17,876,362	\$ 6,758,227	\$ 11,118,135
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	-	-	6,512	387,438	37,087	350,351
28	391.00	Office Furniture & Equipment	47,250	-	-	23,785	546,937	108,464	438,472
29	391.10	Computer Equipment	-	-	-	20,842	458,534	119,841	338,693
30	392.00	Transportation Equipment	-	-	-	611	2,442	1,816	627
31	393.00	Stores Equipment	-	-	-	0	10	2	8
32	394.00	Tools, Shop And Garage	-	-	-	2,123	51,351	(35,682)	87,033
33	395.00	Laboratory Equipment	-	-	-	91	2,459	(4,569)	7,027
34	396.00	Power Operated Equipment	-	-	-	1	10	3	7
35	397.00	Communication Equipment	-	-	-	1	10	6	4
36	398.00	Miscellaneous Equipment	-	-	-	1,288	25,859	27,566	(1,706)
37		SUBTOTAL GENERAL	\$ 47,250	\$ 0	\$ 0	\$ 55,254	\$ 1,475,050	\$ 254,534	\$ 1,220,516
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	-	-	-	-	(1)	-	0
41		<b>TOTAL WASTEWATER PLT</b>	<b>\$ 428,289</b>	<b>\$ 186,553</b>	<b>\$ 0</b>	<b>\$ 485,800</b>	<b>\$ 19,589,950</b>	<b>\$ 7,008,937</b>	<b>\$ 12,581,014</b>

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous Intangibles	-	-	-	-	10,495	-	10,495
4		<b>SUBTOTAL INTANGIBLE</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 139,000</b>	<b>\$ 0</b>	<b>\$ 139,000</b>
<b>TREATMENT AND DISCHARGE</b>									
5	310.00	Land And Land Rights	\$ 909	\$ 0	\$ 0	\$ 0	\$ 6,565	\$ 0	\$ 6,564
6	311.00	Structures And Improvements	-	55,490	-	2,637	22,255	(49,522)	71,777
7	312.00	Preliminary Treatment	-	-	-	-	453	(0)	453
8	313.00	Primary Treatment Equipment	-	-	-	-	-	1	(0)
9	314.00	Secondary Treatment Equip.	1,743	-	-	43	2,576	75	2,501
10	315.00	Tertiary Equipment	-	-	-	-	-	1	(0)
11	316.00	Disinfection Equipment	-	-	-	-	-	1	(0)
12	317.00	Effluent Lift Station E	-	-	-	31	1,553	292	1,262
13	318.00	Outfall Line	-	-	-	6	300	65	236
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	(0)	0
15	321.00	Influent Lift Station	-	-	-	9	429	(9,063)	9,491
16	322.00	General Treatment Equipment	9,465	2,878	-	375	19,158	(940)	20,098
17		<b>SUBTOTAL TREAT. &amp; DIS.</b>	<b>\$ 12,117</b>	<b>\$ 58,368</b>	<b>\$ 0</b>	<b>\$ 3,101</b>	<b>\$ 53,288</b>	<b>\$ (59,093)</b>	<b>\$ 112,380</b>
<b>COLLECTION AND INFLUENT</b>									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	226,672	-	-	4,808	353,752	22,960	330,792
20	342.00	Collection System Lift	432,903	23,843	-	89,687	1,248,390	495,771	752,619
21	343.00	Collection Mains	229,001	100,000	-	207,673	10,144,570	4,311,380	5,833,190
22	344.00	Force Mains	-	745,965	-	50,241	1,308,136	(41,093)	1,349,230
23	345.00	Discharge Services	28,669	-	-	48,107	2,372,509	1,174,273	1,198,236
24	348.00	Manholes	65,044	-	-	51,338	2,561,485	1,122,949	1,438,536
25		<b>SUBTOTAL COLL. &amp; INFLU.</b>	<b>\$ 982,289</b>	<b>\$ 869,808</b>	<b>\$ 0</b>	<b>\$ 451,854</b>	<b>\$ 17,988,843</b>	<b>\$ 7,086,239</b>	<b>\$ 10,902,604</b>
<b>GENERAL</b>									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
27	390.00	Structures And Improvements	-	5,000	-	6,554	382,438	38,641	343,797
28	391.00	Office Furniture & Equipment	-	-	-	24,859	546,937	133,323	413,613
29	391.10	Computer Equipment	-	-	-	20,842	458,534	140,682	317,851
30	392.00	Transportation Equipment	-	-	-	611	2,442	2,426	16
31	393.00	Stores Equipment	-	-	-	0	10	3	7
32	394.00	Tools, Shop And Garage	-	-	-	2,123	51,351	(33,558)	84,909
33	395.00	Laboratory Equipment	-	2,381	-	135	77	(6,814)	6,892
34	396.00	Power Operated Equipment	-	-	-	1	10	3	7
35	397.00	Communication Equipment	-	-	-	1	10	7	3
36	398.00	Miscellaneous Equipment	-	5,017	-	1,413	20,842	23,962	(3,120)
37		<b>SUBTOTAL GENERAL</b>	<b>\$ 0</b>	<b>\$ 12,398</b>	<b>\$ 0</b>	<b>\$ 56,539</b>	<b>\$ 1,462,652</b>	<b>\$ 298,676</b>	<b>\$ 1,163,976</b>
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	-	-	-	-	-	2	0
41		<b>TOTAL WASTEWATER PLT</b>	<b>\$ 994,406</b>	<b>\$ 940,575</b>	<b>\$ 0</b>	<b>\$ 511,493</b>	<b>\$ 19,643,782</b>	<b>\$ 7,325,824</b>	<b>\$ 12,317,960</b>

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 10, Col. (E) - Col. (C)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 10, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 10, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA-AMERICAN

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)	(G)
			PRE-ACQUISITION TOTAL PLANT VALUE	ACCUM. DEP.	ADJUSTMENTS TOTAL PLANT VALUE	ACCUM. DEP.	POST-ACQUISITION TOTAL PLANT VALUE	ACCUM. DEP.	NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 122,373	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	6,132	-	-	-	6,132	-	6,132
3	303.00	Miscellaneous Intangibles	10,495	-	-	-	10,495	-	10,495
4		SUBTOTAL INTANGIBLE	\$ 139,000	\$ 0	\$ 0	\$ 0	\$ 139,000	\$ 0	\$ 139,000
TREATMENT AND DISCHARGE									
5	310.00	Land And Land Rights	\$ 6,565	\$ 0	\$ 0	\$ 0	\$ 6,565	\$ 0	\$ 6,564
6	311.00	Structures & Improvements	22,255	(49,522)	-	-	22,255	(49,522)	71,777
7	312.00	Preliminary Treatment	453	-	-	-	453	-	453
8	313.00	Primary Treatment Equip.	-	1	-	-	-	1	(0)
9	314.00	Secondary Treatment Equip.	2,576	75	-	-	2,576	75	2,501
10	315.00	Tertiary Equipment	-	1	-	-	-	1	(0)
11	316.00	Disinfection Equipment	-	1	-	-	-	1	(0)
12	317.00	Effluent Lift Station E	1,553	292	-	-	1,553	292	1,262
13	318.00	Outfall Line	300	65	-	-	300	65	236
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	-
15	321.00	Influent Lift Station	429	(9,063)	-	-	429	(9,063)	9,491
16	322.00	General Treatment Equip.	19,158	(940)	-	-	19,158	(940)	20,098
17		SUBTOTAL TREAT.& DIS.	\$ 53,288	\$ (59,092)	\$ 0	\$ 0	\$ 53,288	\$ (59,092)	\$ 112,380
COLLECTION AND INFLUENT									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures & Improvements	353,752	22,960	-	-	353,752	22,960	330,792
20	342.00	Collection System Lift	1,248,390	495,771	-	-	1,248,390	495,771	752,619
21	343.00	Collection Mains	10,144,570	4,311,380	-	-	10,144,570	4,311,380	5,833,190
22	344.00	Force Mains	1,308,136	(41,093)	-	-	1,308,136	(41,093)	1,349,230
23	345.00	Discharge Services	2,372,509	1,174,273	-	-	2,372,509	1,174,273	1,198,236
24	348.00	Manholes	2,561,485	1,122,949	-	-	2,561,485	1,122,949	1,438,536
25		SUB COLL. & INFLU.	\$ 17,988,843	\$ 7,086,239	\$ 0	\$ 0	\$ 17,988,843	\$ 7,086,239	\$ 10,902,604
GENERAL									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 1,108	\$ 0	\$ 1,108	\$ 0	\$ 1,108
27	390.00	Structures & Improvements	382,438	38,641	378,035	31,967	760,473	70,608	689,865
28	391.00	Office Furniture & Equip.	546,937	133,323	(320,409)	(51,467)	226,528	81,856	144,672
29	391.10	Computer Equipment	458,534	140,682	(134,211)	(239,386)	324,323	(98,704)	423,027
30	392.00	Transportation Equipment	2,442	2,426	405,681	233,301	408,123	235,727	172,396
31	393.00	Stores Equipment	10	3	6,513	1,764	6,523	1,767	4,756
32	394.00	Tools, Shop And Garage	51,351	(33,558)	41,983	37,699	93,334	4,141	89,193
33	395.00	Laboratory Equipment	77	(6,814)	29,488	12,026	29,565	5,212	24,353
34	396.00	Power Operated Equipment	10	3	27,311	9,718	27,321	9,721	17,600
35	397.00	Communication Equipment	10	7	131,116	75,514	131,126	75,521	55,605
36	398.00	Miscellaneous Equipment	20,842	23,962	42,077	5,205	62,919	29,167	33,752
37		SUBTOTAL GENERAL	\$ 1,462,652	\$ 298,676	\$ 608,691	\$ 116,340	\$ 2,071,343	\$ 415,016	\$ 1,656,327
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustm't Due To Rounding	-	-	-	-	-	-	0
41		TOT. WASTEWTR PLT	\$ 19,643,782	\$ 7,325,822	\$ 608,691	\$ 116,340	\$ 20,252,473	\$ 7,442,163	\$ 12,810,311
42		Company As Filed B-2					19,643,850	6,967,677	
43		Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-3, Col (B), Lines 1 & 2)					\$ 608,623	\$ 474,486	

References:

Column (A): Schedule RLM-4, Page 11, Column (E)

Column (B): Schedule RLM-4, Page 11, Column (F)

Columns (C) (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water's Common Plant Allocation As Per Company Schedule B-2, Pg 2

Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3

Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3

Column (G): Column (E) - Column (F)

POST-TEST YEAR 2001 PLANT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. AT CLOS'G	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,373	\$ 0	\$ 122,373
2	302.00	Franchises	-	101,300	-	-	107,432	-	107,432
3	303.00	Miscellaneous Intangibles	-	-	-	-	10,495	-	10,495
4		<b>SUBTOTAL INTANGIBLE</b>	<u>\$ 0</u>	<u>\$ 101,300</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 240,300</u>	<u>\$ 0</u>	<u>\$ 240,300</u>
<b>TREATMENT AND DISCHARGE</b>									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,565	\$ 0	\$ 6,564
6	311.00	Structures And Improvements	-	-	-	-	22,255	(49,522)	71,777
7	312.00	Preliminary Treatment	-	-	276	-	453	276	177
8	313.00	Primary Treatment Equipment	-	-	-	-	-	1	(0)
9	314.00	Secondary Treatment Equip.	-	-	-	-	2,576	75	2,501
10	315.00	Tertiary Equipment	-	-	-	-	-	1	(0)
11	316.00	Disinfection Equipment	-	-	-	-	-	1	(0)
12	317.00	Effluent Lift Station E	-	-	15	-	1,553	307	1,247
13	318.00	Outfall Line	-	-	3	-	300	68	233
14	319.00	Sludge, Treatment & Dist.	-	-	-	-	-	-	0
15	321.00	Influent Lift Station	-	-	2	-	429	(9,061)	9,489
16	322.00	General Treatment Equipment	-	-	187	-	19,158	(753)	19,911
17		<b>SUBTOTAL TREAT. &amp; DIS.</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 483</u>	<u>\$ 0</u>	<u>\$ 53,288</u>	<u>\$ (58,609)</u>	<u>\$ 111,897</u>
<b>COLLECTION AND INFLUENT</b>									
18	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	341.00	Structures And Improvements	-	-	3,648	-	353,752	26,608	327,144
20	342.00	Collection System Lift	-	-	51,627	-	1,248,390	547,398	700,992
21	343.00	Collection Mains	290	2,497,115	1,164,864	25,474	12,641,975	5,501,717	7,140,258
22	344.00	Force Mains	-	-	13,452	-	1,308,136	(27,641)	1,335,778
23	345.00	Discharge Services	-	-	23,526	-	2,372,509	1,197,799	1,174,710
24	348.00	Manholes	-	(2,495,785)	(1,038,722)	(25,332)	65,700	58,895	6,805
25		<b>SUBTOTAL COLL. &amp; INFLU.</b>	<u>\$ 290</u>	<u>\$ 1,330</u>	<u>\$ 218,395</u>	<u>\$ 141</u>	<u>\$ 17,990,463</u>	<u>\$ 7,304,775</u>	<u>\$ 10,685,688</u>
<b>GENERAL</b>									
26	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,108	\$ 0	\$ 1,108
27	390.00	Structures And Improvements	31,437	-	(142)	264	791,910	70,730	721,180
28	391.00	Office Furniture & Equipment	138,562	1	1,243	3,149	365,091	86,248	278,843
29	391.10	Computer Equipment	-	-	-	-	324,323	(98,704)	423,027
30	392.00	Transportation Equipment	-	-	289	-	408,123	236,016	172,107
31	393.00	Stores Equipment	-	-	-	-	6,523	1,767	4,756
32	394.00	Tools, Shop And Garage	-	-	1,087	-	93,334	5,228	88,106
33	395.00	Laboratory Equipment	-	-	-	-	29,565	5,212	24,353
34	396.00	Power Operated Equipment	-	-	-	-	27,321	9,721	17,600
35	397.00	Communication Equipment	33,585	-	-	1,726	164,711	77,247	87,464
36	398.00	Miscellaneous Equipment	-	-	507	-	62,919	29,674	33,245
37		<b>SUBTOTAL GENERAL</b>	<u>\$ 203,584</u>	<u>\$ 1</u>	<u>\$ 2,984</u>	<u>\$ 5,139</u>	<u>\$ 2,274,928</u>	<u>\$ 423,139</u>	<u>\$ 1,851,789</u>
38		Youngtown Plant	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
39		AFUDC ADJUSTMENT 3/95	-	-	-	-	-	-	-
40		Adjustment Due To Rounding	-	-	-	-	-	-	0
41		<b>TOTAL WASTEWATER PLT</b>	<u>\$ 203,874</u>	<u>\$ 102,631</u>	<u>\$ 221,862</u>	<u>\$ 5,280</u>	<u>\$ 20,558,978</u>	<u>\$ 7,669,305</u>	<u>\$ 12,889,673</u>
42		Company As Filed B-2					19,962,780	7,189,539	
43		Difference In Post Test Year Gross Plant					\$ 596,198	\$ 479,766	
44		Adjustment To Test Year Gross Plant As Per RLM-4, Page 12, Cols (E) And (F), L 43					608,623	474,486	
45		Adjustment To Post Test Year Total Plant And Acc. Dep. (See RLM-3, Col (C), L 1 & L 2)					\$ (12,425)	\$ 5,280	

References:

Column (A): Company Response To Staff Data Request No. 12-1 Thru 12-3

Columns (B) (C): Company Schedule B-2, Pages 1 And 8

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 12, Col. (E)] X RLM-4, Page 4, Col. (A)]

Column (E): Schedule RLM-4, Page 12, Column (D) + Column (A) + Column (B)

Column (F): Schedule RLM-4, Page 12, Column (F) + Column (C) + Column (D)

Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Flat Rate Revenues	\$ 5,085,481	\$ 0	\$ 5,085,481	\$ (894,775)	\$ 4,190,706
2	Measured Revenues	0	-	0	-	0
3	Other Wastewater Revenues	2,859	-	2,859	-	2,859
4	TOTAL OPERATING REVENUES	<u>\$ 5,088,340</u>	<u>\$ 0</u>	<u>\$ 5,088,340</u>	<u>\$ (894,775)</u>	<u>\$ 4,193,565</u>
OPERATING EXPENSES:						
5	Salaries And Wages	\$ 160,653	\$ (87,275)	\$ 73,378	\$ 0	\$ 73,378
6	Purchased Wastewater Treatment	992,447	-	992,447	-	992,447
7	Purchased Power	1,509	-	1,509	-	1,509
8	Fuel For Power Production	0	-	0	-	0
9	Chemicals	0	-	0	-	0
10	Material And Supplies	0	105,696	105,696	-	105,696
11	Repairs And Maintenance	0	-	0	-	0
12	Office Supplies And Expense	204,642	30,236	234,878	-	234,878
13	Outside Services	3,123	-	3,123	-	3,123
14	Service Company Charges	522,586	(79,812)	442,774	-	442,774
15	Water Testing	0	-	0	-	0
16	Rents	21,265	-	21,265	-	21,265
17	Transportation Expenses	0	-	0	-	0
18	Insurance - General Liability	36,400	(10,870)	25,530	-	25,530
19	Insurance - Health And Life	0	-	0	-	0
20	Regulatory Comm. Exp. - Rate Case	33,583	(13,483)	20,100	-	20,100
21	Miscellaneous Expense	145,130	-	145,130	-	145,130
22	Depreciation Expense	514,852	5,569	520,421	-	520,421
23	Taxes Other Than Income	7,754	(5,271)	2,483	-	2,483
24	Property Taxes	193,701	12,326	206,027	-	206,027
25	Income Tax	257,188	84,540	341,728	(217,705)	124,023
26	Tolleson Wastewater User Fees	818,091	-	818,091	-	818,091
27	Adjustment Due To Rounding	0	-	-	-	0
28	TOTAL OPERATING EXPENSES	<u>\$ 3,912,924</u>	<u>\$ 41,656</u>	<u>\$ 3,954,580</u>	<u>\$ (217,705)</u>	<u>\$ 3,736,876</u>
29	OPERATING INCOME (LOSS)	<u>\$ 1,175,416</u>	<u>\$ (41,656)</u>	<u>\$ 1,133,760</u>	<u>\$ (677,071)</u>	<u>\$ 456,689</u>
Other Income (Expense):						
30	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
31	Other Income	0	-	-	-	0
32	Interest Expense	(766,294)	1,025,694	259,400	-	259,400
33	Other Expense	0	-	-	-	0
34	Gain/Loss Sale Of Assets	0	-	-	-	0
35	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (766,294)</u>	<u>\$ 1,025,694</u>	<u>\$ 259,400</u>	<u>\$ 0</u>	<u>\$ 259,400</u>
36	NET PROFIT (LOSS)	<u>\$ 409,122</u>	<u>\$ 984,037</u>	<u>\$ 1,393,159</u>	<u>\$ (677,071)</u>	<u>\$ 716,089</u>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony, RLM And Schedule RLM-7  
Column (C): Column (A) + Column (B)  
Column (D): Testimony, RLM And Schedule RLM-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS  
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) RUCO AS ADJ
1	OPERATING REVENUES:												
2	Flat Rate Revenues	\$ 5,085,481	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,085,481
3	Measured Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	Other Wastewater Revenues	2,859	-	-	-	-	-	-	-	-	-	-	2,859
5	TOTAL OPERATING REVENUES	\$ 5,088,340	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,088,340
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 160,653	\$ 0	\$ 0	\$ 0	\$ (30,147)	\$ 0	\$ 0	\$ 0	\$ (57,126)	\$ 0	\$ 0	\$ 73,378
8	Purchased Wastewater Treatment	992,447	-	-	-	-	-	-	-	-	-	-	992,447
9	Purchased Power	1,509	-	-	-	-	-	-	-	-	-	-	1,509
10	Fuel For Power Production	0	-	-	-	-	-	-	-	-	-	-	0
11	Chemicals	0	-	-	-	-	-	-	-	-	-	-	0
12	Material And Supplies	0	-	-	-	-	-	-	-	-	105,696	-	105,696
13	Repairs And Maintenance	0	-	-	-	-	-	-	-	-	-	-	0
14	Office Supplies And Expenses	204,642	-	-	-	-	-	-	-	30,236	-	-	234,878
15	Outside Services	3,123	-	-	-	-	-	-	-	-	-	-	3,123
16	Service Company Charges	522,586	-	-	(79,812)	-	-	-	-	-	-	-	442,774
17	Water Testing	0	-	-	-	-	-	-	-	-	-	-	0
18	Rents	21,265	-	-	-	-	-	-	-	-	-	-	21,265
19	Transportation Expenses	0	-	-	-	-	-	-	-	-	-	-	0
20	Insurance - General Liability	36,400	-	-	-	-	-	-	-	(10,870)	-	-	25,530
21	Insurance - Health And Life	0	-	-	-	-	-	-	-	-	-	-	0
22	Regulatory Comm. Exp. - Rate Case	33,583	-	-	-	-	-	-	(13,483)	-	-	-	20,100
23	Miscellaneous Expense	145,130	-	-	-	-	-	-	-	437	-	-	145,567
24	Depreciation Expense	514,852	-	-	-	-	5,569	-	-	-	-	-	520,421
25	Taxes Other Than Income	7,754	-	(2,965)	-	(2,306)	-	12,326	-	-	-	-	2,483
26	Property Taxes	193,701	-	-	-	-	-	-	-	-	-	84,540	206,027
27	Income Tax	257,189	-	-	-	-	-	-	-	-	-	-	341,728
28	Tollison Wastewater User Fees	818,091	-	-	-	-	-	-	-	-	-	-	818,091
29	Adjustment Due To Rounding	0	-	-	-	-	-	-	-	-	-	-	0
30	TOTAL OPERATING EXPENSES	\$ 3,912,924	\$ (79,812)	\$ (2,965)	\$ (79,812)	\$ (32,453)	\$ 5,569	\$ 12,326	\$ (13,483)	\$ (37,325)	\$ 105,696	\$ 84,540	\$ 3,955,017
31	OPERATING INCOME (LOSS)	\$ 1,175,416	\$ 0	\$ 2,965	\$ 79,812	\$ 32,453	\$ (5,569)	\$ (12,326)	\$ 13,483	\$ 37,325	\$ (105,696)	\$ (84,540)	\$ 1,133,323
32	Other Income (Expense):												
33	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
34	Other Income	0	-	-	-	-	-	-	-	-	-	-	0
35	Interest Expense	(766,294)	-	-	-	-	-	-	-	-	1,025,694	-	259,400
36	Other Expense	0	-	-	-	-	-	-	-	-	-	-	0
37	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
38	TOTAL OTHER INCOME (EXPENSE)	\$ (766,294)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,025,694	\$ 0	\$ 259,400
39	NET PROFIT (LOSS)	\$ 409,122	\$ 0	\$ 2,965	\$ 79,812	\$ 32,453	\$ (5,569)	\$ (12,326)	\$ 13,483	\$ 37,325	\$ 919,998	\$ (84,540)	\$ 1,392,722
40	ADJUSTMENT NO.												
41	1 - Intentionally Left Blank												
42	2 - Remove Test Year Salaries And Wages												
43	3 - Service Company Fees												
44	4 - Projected Salaries And Wages												
45	5 - Depreciation Expense												
46	6 - Property Taxes												
47	7 - Rate Case Expense												
48	8 - Projected Additional Corporate Overhead Expenses												
49	9 - Material And Supplies												
50	10 - Income Tax												

Testimony, RLM And Schedule RLM-8  
Testimony, RLM And Schedule RLM-9  
Testimony, RLM And Schedule RLM-10  
Testimony, RLM And Schedule RLM-11  
Testimony, RLM And Schedule RLM-12  
Testimony, RLM And Schedule RLM-13  
Testimony, RLM And Schedule RLM-14  
Testimony, RLM  
Testimony, RLM And Schedule RLM-15

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2**  
**CITIZENS SALARIES AND WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJMT
	SUN CITY WASTEWATER		4004-4505			
1		Salaries And Wages		\$ 332,698	\$ 332,698	\$ -
2		Payroll Tax		24,872	21,907	(2,965)
3		TOTAL		\$ 357,570	\$ 354,605	\$ (2,965)

**References:**

Column (A): Company Schedule C-2, Page 3

Column (B): Company Provided Data On Citizens 2001 Payroll

Column (C): Column (B) - Column (A)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) TOTAL SERVICE CHARGES		(B)	(C)	(D) ALLOCATED SERVICE CHARGES		(E)	(F)
			COMPANY AS FILED	RUCO AS ADJ'TED	FOUR FACT'R	COMPANY AS FILED	RUCO AS ADJ'TED	ADJ'MENT		
1	Sun City West Water	2364	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 515,886	\$ 437,098	\$ (78,789)		
2	Sun City West Wastewater	2365	\$ 5,153,711	\$ 4,366,610	0.1072	\$ 552,478	\$ 468,101	\$ (84,377)		
3	Sun City Water	2362	\$ 5,153,711	\$ 4,366,610	0.1797	\$ 926,122	\$ 784,680	\$ (141,442)		
4	Sun City Wastewater	2363	\$ 5,153,711	\$ 4,366,610	0.1014	\$ 522,586	\$ 442,774	\$ (79,812)		
5	Tubac	2389	\$ 5,153,711	\$ 4,366,610	0.0075	\$ 38,653	\$ 32,750	\$ (5,903)		
SUN CITY WASTEWATER						COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T		
6	Arizona-American Service Company Allocation					\$ 522,586	\$ 442,774	\$ (79,812)		

References:

Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) - Column (D)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	2365	418,601	113,022	305,579	9	25,582
3	Sun City Water	2362	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	2363	80,003	21,601	58,402	4	5,448
5	Tubac	2389	68,044	18,372	49,672	1	4,045
SUN CITY WASTEWATER				COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T	
6		Salaries And Wages		\$ 88,549	\$ 58,402	\$ (30,147)	
7		Payroll Tax		7,754	5,448	(2,306)	
8		TOTAL		<u>\$ 96,303</u>	<u>\$ 63,850</u>	<u>\$ (32,453)</u>	

References:

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL PLANT VALUE	(B) APR'D DEP. RATE	(C) TEST YEAR DEPREC'N EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 122,373	0.00%	\$ 0
2	302.00	Franchises	107,432	0.00%	0
3	303.00	Miscellaneous Intangibles	10,495	0.00%	0
4		SUBTOTAL INTANGIBLE	<u>\$ 240,300</u>		<u>\$ 0</u>
		TREATMENT AND DISCHARGE			
5	310.00	Land And Land Rights	\$ 6,565	0.00%	\$ 0
6	311.00	Structures And Improvements	22,255	2.50%	556
7	312.00	Preliminary Treatment	453	0.00%	0
8	313.00	Primary Treatment Equipment	-	0.00%	0
9	314.00	Secondary Treatment Equipment	2,576	2.52%	65
10	315.00	Tertiary Equipment	-	0.00%	0
11	316.00	Disinfection Equipment	-	0.00%	0
12	317.00	Effluent Lift Station E	1,553	2.00%	31
13	318.00	Outfall Line	300	2.00%	6
14	319.00	Sludge, Treatment & Distribution	-	2.50%	0
15	321.00	Influent Lift Station	429	2.00%	9
16	322.00	General Treatment Equipment	19,158	2.00%	383
17		SUBTOTAL TREATMENT AND DISTRIBUTION	<u>\$ 53,288</u>		<u>\$ 1,050</u>
		COLLECTION AND INFLUENT			
18	340.00	Land And Land Rights	\$ 0	0.00%	\$ 0
19	341.00	Structures And Improvements	353,752	2.00%	7,075
20	342.00	Collection System Lift	1,248,390	8.40%	104,865
21	343.00	Collection Mains	12,641,975	2.04%	257,896
22	344.00	Force Mains	1,308,136	2.07%	27,078
23	345.00	Discharge Services	2,372,509	2.04%	48,399
24	348.00	Manholes	65,700	2.03%	1,334
25		SUBTOTAL COLLECTION AND INFLUENT	<u>\$ 17,990,463</u>		<u>\$ 446,647</u>
		GENERAL			
26	389.00	Land And Land Rights	\$ 1,108	0.00%	\$ 0
27	390.00	Structures And Improvements	791,910	1.68%	13,310
28	391.00	Office Furniture And Equipment	365,091	4.55%	16,594
29	391.10	Computer Equipment	324,323	4.55%	14,742
30	392.00	Transportation Equipment	408,123	25.00%	102,030
31	393.00	Stores Equipment	6,523	3.92%	256
32	394.00	Tools, Shop And Garage	93,334	4.14%	3,859
33	395.00	Laboratory Equipment	29,565	3.71%	1,097
34	396.00	Power Operated Equipment	27,321	5.14%	1,405
35	397.00	Communication Equipment	164,711	10.28%	16,929
36	398.00	Miscellaneous Equipment	62,919	4.98%	3,133
37		SUBTOTAL GENERAL	<u>\$ 2,274,928</u>		<u>\$ 173,355</u>
		TOTAL	<u>\$ 20,558,978</u>		<u>\$ 621,052</u>
38		Tolleson Trickling Filter	\$ 500,000	2.80%	14,000
39		Amortization Of Deferred Regulatory Assets	145,771	2.80%	4,082
40		Amortization Of Contribution In Aid Of Const. ("CIAC")	(1,187,139)	10.00%	(118,714)
41		Adjustment Due To Rounding	-		1
42		TOTAL WASTEWATER PLANT	<u>\$ 19,517,610</u>		<u>\$ 520,421</u>
43		Company As Filed As Per Schedule C-2, Pg 6, Line 64			<u>\$ 514,852</u>
44		Adjustment To Depreciation Expense (See RLM-6, Col (B), Line 22)			<u>\$ 5,569</u>

References:

Column (A): Schedule RLM-5, Page 1, Column (E)  
Column (B): Schedule RLM-4, Page 4, Column (A)  
Column (C): Column (A) X Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 4,958,136	
2	Year 2000 (Company Schedule E-2)	5,001,158	
3	Year 2001 (Company Schedule E-2)	5,055,107	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 15,014,401	
5	Average Annual Operating Revenues (L4 / 3)	5,004,800	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 10,009,601
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 244,725	
8	10% Of CWIP (L7 X 10%)		\$ 24,473
	SUBTRACT: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (RLM-5, Pg 1, Col (E), L 30)	\$ 408,123	
10	Acc. Dep. Of Transportation Equipment (RLM-5, Pg 1, Col (F), L 30)	236,016	
11	Book Value Of Transportation Equipment (L9 - L10)		\$ 172,107
12	COMPANY'S FULL CASH VALUE (L6 + L8 - L11)		<u>\$ 9,861,966</u>
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	<u>\$ 2,465,492</u>	
	Property Tax Rates:		
15	Primary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	8.34%	
16	Secondary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	0.00%	
17	Estimated Tax Rate Liability (L14 + L15)	<u>8.36%</u>	
18	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		<u>\$ 206,027</u>
19	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. RLM-6, Col. (A), L29)	<u>\$ 193,701</u>	
20	Increase (Decrease) In Property Tax Expense (L18 - L19)	<u>\$ 12,326</u>	
21	Adjustment To Property Tax Expense From Company's Direct Filing (See RLM-6 Col. (B), L22)		<u><u>\$ 12,326</u></u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE

LINE NO.		(A) REVISED T. Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Sun City West Water	0.0956	\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)
3	Sun City West Wastewater	0.1000	70,006	41,901	(28,106)	(9,369)
4	Sun City Water	0.1752	122,623	73,393	(49,230)	(16,410)
5	Sun City Wastewater	0.1439	100,749	60,301	(40,448)	(13,483)
6	Tubac	0.0072	5,039	3,016	(2,023)	(674)
7	Agua Fria	0.1750	122,482	73,309	(49,173)	(16,391)
8	Anthem Water	0.1135	79,413	47,531	(31,882)	(10,627)
9	Agua Fria, Anthem Wastewater	0.0528	36,958	22,120	(14,837)	(4,946)
10	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
11	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)
12	TOTAL	<u>1.0000</u>	<u>\$ 699,954</u>	<u>\$ 418,941</u>	<u>\$ (281,013)</u>	<u>\$ (93,671)</u>
SUN CITY WASTEWATER			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
13	Rate Case Expense		\$ 100,749	\$ 60,301	\$ (40,448)	\$ (13,483)

References:

Column (A) : Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer From Allocation  
Column (B): Company Response To Data Request Minus The Mohave Sewer Allocated Value Of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) - Column (B)  
Column (E): Column (D) Divided By 3 (The Three Year Amortization Period)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	SUN CITY WASTEWATER				
1		Salaries And Wages	\$ 72,104	\$ 14,976	\$ (57,128)
2		Office Supplies & Expense	212,241	242,477	30,236
3		Insurance	34,961	24,091	(10,870)
4		Miscellaneous Expense	1,249	1,686	437
5		TOTAL	<u>\$ 320,555</u>	<u>\$ 283,230</u>	<u>\$ (37,325)</u>

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From RLM-14, Pg 2, Line 27

Column (C): Column (B) - Column (A)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	<u>\$ 3,161,914</u>	<u>\$ 2,098,797</u>	<u>\$ 1,063,117</u>	
8	Non-Applicable Accounts	\$ 2,153,067	\$ 2,117,294	\$ 35,773	
9	TOTAL (See RLM-14, Pg 3, L 45)	<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ 1,098,890</u>	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasu Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	<u>0.8247</u>	<u>0.9534</u>	<u>0.8700</u>	<u>0.9544</u>
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	89,857	322,580	57,988	4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasu Water	11,232	14,208	1,630	1,297
34	Subtotal	<u>\$ 325,731</u>	<u>\$ 1,352,330</u>	<u>\$ 177,484</u>	<u>\$ 28,987</u>
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	<u>\$ 48,672</u>	<u>\$ 126,483</u>	<u>\$ 37,716</u>	<u>\$ 1,393</u>
38	TOTAL	<u>\$ 374,404</u>	<u>\$ 1,478,813</u>	<u>\$ 215,200</u>	<u>\$ 30,381</u>
39	TOTAL RUCO ADJUSTMENT (See RLM-14, pg 2, Column (B), Line 7 Above)				<u>\$ 2,098,797</u>

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report  
Allocation Amounts - Calculated Using Same Methodology As Company

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DESCRIPTION	(A) CATEGORY	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) DIFFERENCE
1	Directors Fees	MISC	\$ 6,000	\$ 8,500	\$ 2,500
2	Bank Service Charges	OFFICE	29,863	124,896	95,033
3	Bill Insert	OFFICE	29,703	35,304	5,601
4	Collection Agencies	OFFICE	870	6,673	5,803
5	Forms AG	OFFICE	17,074	13,051	(4,023)
6	Advertising (Required Notification)	OFFICE	230,287	130,698	(99,589)
7	Brochures And Handouts	OFFICE	2,502	834	(1,668)
8	Community Relations	OFFICE	7,730	6,662	(1,068)
9	Postage	OFFICE	329,952	125,443	(204,509)
10	Group Insurance	OFFICE	622,145	587,410	(34,735)
11	IncentivePlan Expenses	EMP. BENFITS	226,620	21,252	(205,368)
12	PBOP Operations AG	EMP. BENFITS	341,502	16,737	(324,765)
13	Workman Compensation	EMP. BENFITS	(19,061)	(3,359)	15,702
14	Dues Deducted	EMP. BENFITS	3,612	13,660	10,048
15	Dues Non-Deducted	EMP. BENFITS	2,705	5,052	2,347
16	Dues-Membership Deducted	EMP. BENFITS	-	2,959	2,959
17	Employee Expenses AG	EMP. BENFITS	115,234	60,267	(54,967)
18	Employee Exp Conference-Registration	EMP. BENFITS	24,595	15,666	(8,929)
19	Meals And Travel Deducted	EMP. BENFITS	39,758	20,433	(19,325)
20	Meals And Travel Non-Deduct	EMP. BENFITS	-	13,037	13,037
21	Other Welfare Operations	EMP. BENFITS	6,495	19,906	13,411
22	Employee Awards	EMP. BENFITS	252	1,144	892
23	Employee Physical Exams	EMP. BENFITS	1,842	716	(1,126)
24	Tuition Aid	EMP. BENFITS	29,515	15,528	(13,987)
25	Training	EMP. BENFITS	24,818	28,944	4,126
26	401K	EMP. BENFITS	74,501	61,288	(13,213)
27	ESOP	EMP. BENFITS	91,759	81,175	(10,584)
28	Trustee Fees	MISC	17,058	21,881	4,823
29	Credit Line Fees	OFFICE	8,347	24,728	16,381
30	Insurance General Liability	INS	41,335	77,430	36,095
31	Security Services	OFFICE	637,500	423,114	(214,386)
32	Insurance Other	INS	217,401	137,770	(79,631)
33	Company Dues-Membership Deduct	N/A	16,178	4,422	(11,756)
34	Company Dues-Membership Non-deducted	N/A	36,108	2,846	(33,262)
35	Company Dues-Membership AWWA Ded.	N/A	882	495	(387)
36	Company Dues-Membership AWWA Non	N/A	1,947	649	(1,298)
37	Company Dues-Membership Non-Deducted	N/A	-	18,075	18,075
38	Charitable Contribution Deducted	N/A	3,500	2,075	(1,425)
39	Charitable Contribution Non-Deduct	N/A	800	200	(600)
40	Property Taxes	N/A	2,093,652	1,648,841	(444,811)
41	Business Services-Project Expense	N/A	-	390,309	390,309
42	Pcard Undistributed	N/A	-	39,882	39,882
43	Water Reservoir Conservation	N/A	-	4,001	4,001
44	Pension Operation AG	N/A	-	5,499	5,499
45	TOTAL		<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ (1,098,890)</u>

References:

Columns (A) (C): Company Response To RUCO Third Data Request

Column (B): Company As Filed

Column (D): Column (C) - Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. RLM-6, Col. (C), L28 + L25	\$ 1,475,488
	LESS:		
2	Arizona State Tax	Line 11	61,690
3	Interest Expense	Note (A), Line 19	590,157
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 823,641
5	Federal Tax Rate	Sch. RLM-1, Page 2, Col. (D), L 34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 280,038
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 1,475,488
	LESS:		
8	Interest Expense	Note (A), Line 19	590,157
9	State Taxable Income	Line 7 - Line 8	\$ 885,330
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 61,690
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ 280,038
13	State Income Tax Expense	Line 11	\$ 61,690
14	Total Income Tax Expense Per RUCO	Line 6 + Line 11	\$ 341,728
15	Total Income Tax Expense Per Company	Company Sch. C-1	\$ 257,188
16	Total Income Tax Adjustment (See Sch. RLM-6, Col. (B), L25)	Line 14 - Line 15	\$ 84,540
<b>NOTE (A):</b>			
Interest Synchronization:			
17	Adjusted Rate Base (Sch. RLM-3, Col. (E), L16)	\$ 20,233,577	
18	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	2.92%	
19	Interest Expense (L17 X L18)	\$ 590,157	

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	(A) CAPITAL'TION PER COMPANY	(B) RUCO ADJ'TS	(C) RUCO ADJUSTED CAPITAL'TION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Long-Term Debt	\$ 165,583,119	\$ 0	\$ 165,583,119	59.89%	4.87%	2.92%
2	Common Equity	\$ 110,888,158	\$ 0	\$ 110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITAL	<u>\$ 276,471,277</u>	<u>\$ 0</u>	<u>\$ 276,471,277</u>	<u>100.00%</u>		
4	COST OF CAPITAL						<u>6.57%</u>

References:

Column (A): Staff Data Request Nos. JMR 8-3 And JMR 8-4  
Column (B): Testimony, WAR  
Column (C): Column (A) + Column (B)  
Column (D): Column (C), Line Item / Total Capital (L5)  
Column (E): Testimony, WAR  
Column (F): Column (D) X Column (E)

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	Residential Units (SSR)	\$ 12.87	\$ 14.48	\$ 10.58
2	Commercial/Residential Units (SSR)	12.87	14.48	10.58
3	Commercial Units (SSC)	15.46	17.39	12.71
4	Commercial Larger User (SS6) (Based On Consumption)	32.80	36.90	26.97
5	Multi-Family Residential Units (AC SSR)	12.87	14.48	10.58
6	SS1 (Commercial, Additional Toilets)	3.78	4.25	3.11
7	SS2 (Commercial Restaurant, Per Dishwasher Or Garbage Grinder)	29.10	32.74	23.93
8	SS3 (Commercial Laundromat, Per Washing Machine)	7.06	7.94	5.80
9	SS4 (Commercial, Per Wash Rack)	14.40	16.20	11.84
10	Rental Rooms	7.99	8.99	6.57
11	Paradise Resort Park, Contract Rate	3.94	3.94	2.88
<b>GALLONS IN MINIMUM</b>				
12	Commercial SS6 And Paradise Park Resort	20,000	20,000	20,000
<b>COMMODITY RATES (Per 1,000 Gallons Over Minimum)</b>				
13	Commercial SS6 And Paradise Park Resort	\$ 1.24	\$ 1.40	\$ 1.20
<b>ANNUAL FEE FOR INDUSTRIAL DISCHARGE SERVICE</b>				
For Those Customers Consuming An Amount Of Water Less Than Or Equal To 50,000 Gallons Per Month Through One Or More Water Or Equal To 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
14		\$ 500.00	\$ 500.00	\$ 500.00
For Those Customers Consuming An Amount Of Water Greater Than 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
15		\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Annual Fee For Industrial Discharge Service Charges Shall Be Non-Refundable And Shall Be Assessed In Advance Each January By The Company By Special Billing. For New Customers Receiving This Service, A Prorated Charge Shall Be Assessed.				

**References:**

Columns (A) (B): Company Schedule H-3, Page 2 Revised  
Column (C): Testimony, RLM

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES CONT'D**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
SERVICE CHARGES:				
1	Establishment Of Service	\$ 30.00	\$ 50.00	\$ 50.00
2	Establishment Of Service (After Hours)	40.00	60.00	60.00
3	Re-Connection (Delinquent)	N/A	N/A	N/A
4	Re-Connection (After Hours)	N/A	N/A	N/A
5	Meter Test Fee (If Correct)	10.00	10.00	10.00
6	Deposit		As Per ACC R14-2-403.B	
7	Deposit Interest		As Per ACC R14-2-403.B	
8	Re-Establishment - (Within 12 Months)	Monthly Minimum Times Months Disconnected - As Per ACC R14-2-403.D		
9	NSF Charge (Per Month)	10.00	10.00	10.00
10	Deferred Payment	1.50%	1.50%	1.50%
11	Meter Re-Read - (If Correct)	5.00	5.00	5.00
12	Meter Moved - Customer Requested	Cost	Cost	Cost
13	Late Payment Charge	1.50%	1.50%	1.50%
14	Damages To Locks, Valves, Seals	Cost	Cost	Cost

All Advances (AIAC) And/Or Contributions (CIAC) Are To Include Labor, Materials, Overhead,  
And All Applicable Taxes, Including All Gross-Up Taxes For Income Taxes

**References:**

Columns (A) (B): Company Schedule H-3, Page 2 Revised  
Column (C): Testimony, RLM

**PROOF OF RECOMMENDED REVENUE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	Residential Units (SSR)	\$ 10.58	227,916	\$ 2,411,864
2	Comercial/Residential Units (SSR)	10.58	0	0
3	Commercial Units (SSC)	12.71	6,900	87,692
4	Commercial Larger User (SS6) (Based On Consumption)	26.97	48	1,294
5	Multi-Family Residential Units (AC SSR)	10.58	140,700	1,488,923
6	SS1 (Commercial, Additional Toilets)	3.11	35,388	109,914
7	SS2 (Com. Restaurant, Per Dishwasher Or Garbage Grinder)	23.93	936	22,396
8	SS3 (Commercial Laundromat, Per Washing Machine)	5.80	780	4,526
9	SS4 (Commercial, Per Wash Rack)	11.84	192	2,273
10	Rental Rooms	6.57	0	0
11	Paradise Resort Park, Contract Rate	2.88	0	0
12	Total Annualized Monthly Minimum Usage Charge		412,860	\$ 4,128,882
<b>GALLONS IN MINIMUM</b>				
13	Commercial SS6 And Paradise Park Resort	20,000		
14			Total 51,841,505	
15	<b>COMMODITY RATES (Per 1,000 Gallons Over Minimum)</b>		Min. (600,000)	
16	Commercial SS6 And Paradise Park Resort	\$ 1.20	51,241,505	
<b>TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES</b>				\$ 61,346
17	Other Wastewater Revenue			\$ 2,859
18	Difference Between Bill Count and Revenue As Recorded			478
19	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 4,193,565</b>
20	Required Revenue (As Per Schedule RLM-1, Col. (D), L 10)			\$ 4,193,565
21	Difference			\$ 0
<b>ANNUAL FEE FOR INDUSTRIAL DISCHARGE SERVICE</b>				
For Those Customers Consuming An Amount Of Water Less Than Or Equal To 50,000 Gallons Per Month Through One Or More Water Or Equal To 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
22		\$ 500.00		
For Those Customers Consuming An Amount Of Water Greater Than 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.				
23		\$ 1,000.00		
Annual Fee For Industrial Discharge Service Charges Shall Be Non-Refundable And Shall Be Assessed In Advance Each January By The Company By Special Billing. For New Customers Receiving This Service, A Prorated Charge Shall Be Assessed.				

**References:**

Column (A): RLM-17, Page 1, Column (C)  
Column (B): Response To RUCO Data Request No. 1.04  
Column (C): Columns (A) X (B)

Arizona-American Water Company  
Docket No. SW-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Wastewater District  
Schedule RLM-19  
Page 1 of 1

**TYPICAL BILL ANALYSIS  
WASTEWATER SERVICE TO RESIDENTIAL UNITS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED</b>						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	0	\$12.87	\$14.48	\$1.61	12.5%
<b>RUCO PROPOSED</b>						
2	Average	0	\$12.87	\$ 10.58	(\$2.29)	-17.8%
3	Average Number Of Customers:		18,910			

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	2	REVENUE REQUIREMENT
RLM-2	1	FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB
RLM-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-4	1 TO 12	TEST YEAR PLANT SCHEDULES
RLM-5	1	POST-TEST YEAR 2001 PLANT
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - CITIZENS SALARIES AND WAGES
RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - AZ-AM SERVICE COMPANY ALLOCATIONS
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - TEST YEAR DEPRECIATION EXPENSE
RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX COMPUTATION
RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7 - RATE CASE EXPENSE
RLM-14	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - PROJECTED CORPORATE OVERHEAD
RLM-15	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
RLM-16	1	COST OF CAPITAL
RLM-17	1 TO 2	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-18	1	PROOF OF RECOMMENDED REVENUE
RLM-19	1	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJ'MENT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) RUCO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 1,172,012
2	Adjusted Operating Income (Loss)	\$ 14,583		\$ 14,583	\$ 44,735
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	3.82%
4	Required Operating Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 77,008
5	Required Rate Of Return On Fair Value Rate Base	7.75%		7.75%	6.57%
6	Operating Income Deficiency (L4 - L2)	\$ 132,918		\$ 110,542	\$ 32,273
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6286		1.6286	1.2646
8	Increase In Gross Revenue Requirement (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ 40,812</b>
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 254,486
10	Proposed Annual Revenue (L8 + L9)	\$ 469,847		\$ 434,515	\$ 295,298
11	Required Percentage Increase In Revenue (L8 / L9)	85.06%		70.74%	16.04%
12	Rate Of Return On Common Equity	11.50%		11.50%	6.57%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedule RLM-2

Column (C): Recalculated After Adjusting To OCRB

Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Less: Combined Federal And State Tax Rate (L10)	0.2092			
3	Subtotal (L1 - L2)	0.7908			
4	Revenue Conversion Factor (L1 / L3)	1.2646			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	15.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	13.9548%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	20.9228%			
11	Required Operating Income (Sch. RLM-1, Col. (D), L4)	\$ 77,008			
12	Adj'd T.Y. Oper'g Income (Loss) (Sch. RLM-1, Col. (D), L2)	44,735			
13	Required Increase In Operating Income (L11 - L12)		\$ 32,273		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 11,331			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	2,792			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 8,539		
17	Total Required Increase In Revenue (L13 + L16)		\$ 40,812		
				RUCO	
CALCULATION OF INCOME TAX:				Recommended	
18	Revenue (Sch. RLM-1, Col. (D), L10)			\$ 295,298	
19	Less: Opr'g Exp. Excl. Inc. Tax (RLM-6, Col. (E), L25 - L23)			206,959	
20	Less: Synchronized Interest (Col. (C), L37)			34,184	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 54,154	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 3,773
24	Fed. Taxable Income (L21 - L23)			\$ 50,381	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,557	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			-	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			-	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			-	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 7,557
31	Combined Federal And State Income Tax (L23 + L30)				\$ 11,331
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L23)				\$ 2,792
33	Adjustment (L31 - L32) (See RLM-6, Col. (D), L23)				\$ 8,539
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				15.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-1, Pg 2, Col. (E), L16)			\$ 1,172,012	
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)			2.92%	
37	Synchronized Interest (L35 X L36)			\$ 34,184	

FAIR VALUE RATE BASE - RCND ADJUSTED TO OCRB

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS RCND	(B) RUCO ADJMTS TO OCRB	(C) RUCO ADJUSTED TO OCRB	(D) RUCO OCRB ADJMTS	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 3,441,929	\$ (1,473,088)	\$ 1,968,841	\$ 54,224	\$ 2,023,065
	Less:					
2	Accumulated Depreciation	989,066	(417,908)	571,158	(34,451)	536,707
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 2,452,863</u>	<u>\$ (1,055,180)</u>	<u>\$ 1,397,683</u>	<u>\$ 88,675</u>	<u>\$ 1,486,358</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 297,336	\$ (127,255)	\$ 170,081	\$ 0	\$ 170,081
5	Contribution In Aid Of Const. ("CIAC")	\$ 251,172	\$ (107,497)	\$ 143,675	\$ 0	\$ 143,675
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 251,172</u>	<u>\$ (107,497)</u>	<u>\$ 143,675</u>	<u>\$ 0</u>	<u>\$ 143,675</u>
8	Customer Meter Deposits	\$ 590	\$ 0	\$ 590	\$ 0	\$ 590
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	-	531,184	531,184	(531,184)	0
15	Adjustment Due To Rounding	(1)	1	-	-	0
16	<b>TOTAL RATE BASE</b>	<u>\$ 1,903,764</u>	<u>\$ (289,243)</u>	<u>\$ 1,614,521</u>	<u>\$ (442,509)</u>	<u>\$ 1,172,012</u>

References:

Column (A): Company Schedule B-1  
Column (B): Testimony, RLM  
Column (C): Column (A) + Column (B)  
Column (D): Schedule RLM-3  
Column (E): Column (C) + Column (D)

**SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY FILED AS OCRB	(B) RUCO ADJM'T # 1	(C) RUCO ADJM'T # 2	(D) RUCO ADJM'T # 3	(E) RUCO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 1,968,841	\$ 10,073	\$ 44,151	\$ 0	\$ 2,023,065
	Less:					
2	Accumulated Depreciation	571,158	(34,713)	262	-	536,707
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 1,397,683</u>	<u>\$ 44,786</u>	<u>\$ 43,889</u>	<u>\$ 0</u>	<u>\$ 1,486,358</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 170,081	\$ 0	\$ 0	\$ 0	\$ 170,081
5	Contribution In Aid Of Const. ("CIAC")	\$ 143,675	\$ 0	\$ 0	\$ 0	143,675
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 143,675</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 143,675</u>
8	Customer Meter Deposits	\$ 590	\$ 0	\$ 0	\$ 0	\$ 590
9	Deferred Income Taxes And Credits	-	-	-	-	0
10	Investment Tax Credits	-	-	-	-	0
	Plus:					
11	Unamortized Finance Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	Deferred Tax Assets	-	-	-	-	0
13	Allowance For Working Capital	-	-	-	-	0
14	Citizens Acquisition Adjustment	531,184	-	-	(531,184)	0
15	Adjustment Due To Rounding	-	-	-	-	0
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 1,614,521</u></u>	<u><u>\$ 44,786</u></u>	<u><u>\$ 43,889</u></u>	<u><u>\$ (531,184)</u></u>	<u><u>\$ 1,172,012</u></u>

**References:**

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-4, Page 12, Col (E) & (F), L 48)

Column (C): Adjustment To Post Test Year Plant And Accumulated Depreciation (See RLM-5, Page 1, Col (E) & (F), L 50)

Column (D): Adjustment To Citizens Acquisition Adjustment (See Testimony, RLM)

Column (E): Sum Of Columns (A) Thru (D)

**TEST YEAR PLANT SCHEDULES**  
**COMPANY'S PRESENT FILING VERSUS TOTAL PLANT FILED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) CO. AS FILED PRIOR T. Y. 03/31/1995 TOTAL PLANT	(C) ADJUSTMENT TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ACTUAL 03/31/95 PRIOR T. Y. TOTAL PLANT
		INTANGIBLE				
1	301.00	Organization	0.0004	\$ 567	\$ 4	\$ 571
2	302.00	Franchises	0.0016	2,033	14	2,047
3	303.00	Miscellaneous Intangibles	0.0000	-	-	0
4		SUBTOTAL INTANGIBLE		<u>\$ 2,600</u>	<u>\$ 18</u>	<u>\$ 2,618</u>
		SOURCE OF SUPPLY				
5	310.00	Land And Land Rights	0.0000	\$ 11,317	\$ 0	\$ 11,317
6	311.00	Structures And Improvements	0.0040	5,181	35	5,216
7	312.00	Collecting And Impounding Res.	0.0000	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	0
9	314.00	Wells And Springs	0.0931	121,061	816	121,877
10		SUBTOTAL SUPPLY		<u>\$ 137,559</u>	<u>\$ 851</u>	<u>\$ 138,410</u>
		PUMPING				
11	320.00	Land And Land Rights	0.0000	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	0.0106	13,792	93	13,885
13	323.00	Other Power Production	0.0000	-	-	0
14	325.00	Electric Pumping Equipment	0.1119	145,545	981	146,526
15	326.00	Diesel Pumping Equipment	0.0000	-	-	0
16	328.10	Gas Engine Pumping Equipment	0.0185	24,004	-	24,004
17		SUBTOTAL PUMPING		<u>\$ 183,391</u>	<u>\$ 1,074</u>	<u>\$ 184,465</u>
		WATER TREATMENT				
18	330.00	Land And Land Rights	0.0000	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	0.0000	-	-	0
20	332.00	Water Treatment Equipment	0.0000	-	-	0
21		SUBTOTAL TREATMENT		<u>\$ 50</u>	<u>\$ 0</u>	<u>\$ 50</u>
		TRANSMISSION & DISTRIBUTION				
22	340.00	Land And Land Rights	0.0000	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	0.0001	156	-	156
24	342.00	Distribution, Reservoirs, & ST	0.1102	143,216	965	144,181
25	343.00	Trans. And Dist. Mains	0.4485	583,090	3,930	587,020
26	344.00	Fire Mains	0.0000	-	-	0
27	345.00	Services	0.0923	119,954	809	120,763
28	346.00	Meters	0.0606	78,739	531	79,270
29	348.00	Hydrants	0.0113	14,639	99	14,738
30	349.00	Other Trans. And Dist.	0.0000	-	-	0
31		SUBTOTAL TRANS. & DIST.		<u>\$ 940,333</u>	<u>\$ 6,334</u>	<u>\$ 946,667</u>
		GENERAL				
32	389.00	Land And Land Rights	0.0000	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	0.0000	-	-	0
34	391.00	Office Furniture And Equipment	0.0000	1,616	-	1,616
35	391.10	Computer Equipment	0.0000	-	-	0
36	392.00	Transportation Equipment	0.0000	21,462	-	21,462
37	393.00	Stores Equipment	0.0000	3,431	-	3,431
38	394.00	Tools, Shop And Garage	0.0000	7,378	-	7,378
39	395.00	Laboratory Equipment	0.0000	-	-	0
40	396.00	Power Operated Equipment	0.0000	-	-	0
41	397.00	Communication Equipment	0.0000	1,426	-	1,426
42	398.00	Miscellaneous Equipment	0.0000	-	-	0
43		SUBTOTAL GENERAL		<u>\$ 38,068</u>	<u>\$ 0</u>	<u>\$ 38,068</u>
44		<b>TOTAL WATER PLANT</b>		<u>\$ 1,302,001</u>	<u>\$ 8,276</u>	<u>\$ 1,310,277</u>
45		AFUDC ADJUSTMENT 3/95		\$ (1,835)	\$ 1,835	\$ 0
46		Adjustment Due To Rounding		-	-	0
47		<b>ADJUSTED WATER PLANT</b>		<u>\$ 1,300,166</u>	<u>\$ 10,111</u>	<u>\$ 1,310,277</u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L47) (Excluding General Plant)

Column (B): Company Schedule B-2, Page 6a

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of Plant Of \$8,276

Column (D): Columns (B) + (C). Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

**TEST YEAR PLANT SCHEDULES CONT'D**  
**COMPANY'S PRIOR FILING VERSUS TOTAL PLANT ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DECISION NO. 60172**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) ACTUAL 03/31/1995 PRIOR T. Y. TOTAL PLANT	(C) ADJMT # 1 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(D) ADJMT # 2 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(E) ADJMT # 3 TO 03/31/95 PRIOR T. Y. TOTAL PLANT	(F) ACC APPR'D ADJUSTED PRIOR T. Y. TOTAL PLANT
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 571	\$ 0	\$ 0	\$ 0	\$ 571
2	302.00	Franchises	0.0000	2,047	-	-	-	2,047
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		<u>\$ 2,618</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,618</u>
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 11,317	\$ 0	\$ 0	\$ 0	\$ 11,317
6	311.00	Structures And Improvements	0.0040	5,216	(12)	-	-	5,204
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.0930	121,877	(285)	(1,674)	-	119,918
10		SUBTOTAL SUPPLY		<u>\$ 138,410</u>	<u>\$ (298)</u>	<u>\$ (1,674)</u>	<u>\$ 0</u>	<u>\$ 136,438</u>
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50
12	321.00	Structures And Improvements	0.0106	13,885	(33)	-	-	13,852
13	323.00	Other Power Production	0.0000	-	-	-	-	0
14	325.00	Electric Pumping Equipment	0.1118	146,526	(343)	-	-	146,183
15	326.00	Diesel Pumping Equipment	0.0000	-	(0)	-	-	(0)
16	328.10	Gas Engine Pumping Equipment	0.0183	24,004	(56)	-	-	23,948
17		SUBTOTAL PUMPING		<u>\$ 184,465</u>	<u>\$ (432)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 184,033</u>
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50
19	331.00	Structures And Improvements	0.0000	-	-	-	-	0
20	332.00	Water Treatment Equipment	0.0000	-	-	-	-	0
21		SUBTOTAL TREATMENT		<u>50</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50</u>
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0000	\$ 539	\$ 0	\$ 0	\$ 0	\$ 539
23	341.00	Structures And Improvements	0.0001	156	-	-	-	156
24	342.00	Distribution, Reservoirs, & ST	0.1100	144,181	(338)	-	-	143,844
25	343.00	Trans. And Dist. Mains	0.4480	587,020	(1,375)	-	-	585,646
26	344.00	Fire Mains	0.0000	-	-	-	-	0
27	345.00	Services	0.0922	120,763	(283)	-	-	120,480
28	346.00	Meters	0.0605	79,270	(186)	-	-	79,084
29	348.00	Hydrants	0.0112	14,738	(35)	-	-	14,703
30	349.00	Other Trans. And Dist.	0.0000	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.		<u>\$ 946,567</u>	<u>\$ (2,215)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 944,451</u>
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 2,755	\$ 0	\$ 0	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	0.0000	-	-	-	-	0
34	391.00	Office Furniture And Equipment	0.0000	1,616	-	-	-	1,616
35	391.10	Computer Equipment	0.0000	-	-	-	-	0
36	392.00	Transportation Equipment	0.0000	21,462	-	-	-	21,462
37	393.00	Stores Equipment	0.0000	3,431	-	-	-	3,431
38	394.00	Tools, Shop And Garage	0.0000	7,378	-	-	-	7,378
39	395.00	Laboratory Equipment	0.0000	-	-	-	-	0
40	396.00	Power Operated Equipment	0.0000	-	-	-	-	0
41	397.00	Communication Equipment	0.0000	1,426	-	-	-	1,426
42	398.00	Miscellaneous Equipment	0.0000	-	-	-	-	0
43		SUBTOTAL GENERAL		<u>\$ 38,068</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,068</u>
44		<b>TOTAL WATER PLANT</b>		<u><b>\$ 1,310,277</b></u>	<u><b>\$ (2,945)</b></u>	<u><b>\$ (1,674)</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 1,305,658</b></u>
45		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		Adjustment Due To Rounding		-	-	-	-	0
47		<b>ADJUSTED WATER PLANT</b>		<u><b>\$ 1,310,277</b></u>	<u><b>\$ (2,945)</b></u>	<u><b>\$ (1,674)</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 1,305,658</b></u>

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Plant Value (Col. (B), L 47) (Excluding General Plant)  
Column (B): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments  
Column (C): Commission Approved Adjustment Decision No. 60172, Exhibit A Per AR-13 And Plant In Service  
Column (D): Commission Approved Adjustment Decision No. 60172, Exhibit A Per Observation Wells - Plant  
Column (E): Intentionally Left Blank  
Column (F): Sum Of Cols. (B) Thru (E). Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
COMPANY'S PRIOR FILING VERSUS ACCUMULATED DEPRECIATION ADJUSTMENTS APPROVED IN PRIOR RATE CASE - DEC. NO. 60172

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOC'N FACTOR	(B) PREV. APPL'N CO. AS FILED 12/31/1994 ACC. DEP.	(C) ADJMT NO. 1 TO 12/31/94 ACC. DEP.	(D) ACTUAL 03/31/1995 PRIOR T. Y. ACC. DEP.	(E) ADJMT NO. 2 TO 03/31/95 PRIOR T. Y. ACC. DEP.	(F) ACC APPR'D ADJUSTED PRIOR T. Y. ACC. DEP.
		INTANGIBLE						
1	301.00	Organization	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	302.00	Franchises	0.0000	-	-	-	-	0
3	303.00	Miscellaneous Intangibles	0.0000	-	-	-	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	311.00	Structures And Improvements	0.0058	1,801	73	1,874	(1)	1,873
7	312.00	Collecting And Impounding Res.	0.0000	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.0000	-	-	-	-	0
9	314.00	Wells And Springs	0.1327	41,517	1,682	43,199	549	43,748
10		SUBTOTAL SUPPLY		\$ 43,313	\$ 1,755	\$ 45,073	\$ 548	\$ 45,621
		PUMPING						
11	320.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
12	321.00	Structures And Improvements	0.0191	5,975	242	6,217	(2)	6,215
13	323.00	Other Power Production	0.0000	-	-	-	-	0
14	325.00	Electric Pumping Equipment	0.1473	46,076	1,866	47,942	(17)	47,926
15	326.00	Diesel Pumping Equipment	0.0000	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	0.0001	42	-	42	-	42
17		SUBTOTAL PUMPING		\$ 52,093	\$ 2,108	\$ 54,201	\$ (19)	\$ 54,183
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.0000	-	-	-	-	0
20	332.00	Water Treatment Equipment	0.0000	-	-	-	-	0
21		SUBTOTAL TREATMENT		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		TRANSMISSION & DISTRIBUTION						
22	340.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
23	341.00	Structures And Improvements	0.0002	61	2	63	-	0
24	342.00	Distribution, Reservoirs, & ST	0.0407	12,724	515	13,239	(5)	13,235
25	343.00	Trans. And Dist. Mains	0.4865	152,194	6,165	158,359	(55)	158,304
26	344.00	Fire Mains	0.0000	-	-	-	-	0
27	345.00	Services	0.0963	30,132	1,221	31,353	(11)	31,342
28	346.00	Meters	0.0513	16,034	649	16,683	(6)	16,678
29	348.00	Hydrants	0.0083	2,592	105	2,697	(1)	2,696
30	349.00	Other Trans. And Dist.	0.0000	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.		\$ 213,737	\$ 8,658	\$ 222,395	\$ (77)	\$ 222,254
		GENERAL						
32	389.00	Land And Land Rights	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
33	390.00	Structures And Improvements	0.0000	-	-	-	-	0
34	391.00	Office Furniture And Equipment	0.0006	177	7	184	-	184
35	391.10	Computer Equipment	0.0010	307	12	319	-	0
36	392.00	Transportation Equipment	0.0086	2,684	109	2,793	(1)	2,792
37	393.00	Stores Equipment	0.0003	108	4	112	-	112
38	394.00	Tools, Shop And Garage	0.0012	376	15	391	-	391
39	395.00	Laboratory Equipment	0.0000	-	-	-	-	0
40	396.00	Power Operated Equipment	0.0000	-	-	-	-	0
41	397.00	Communication Equipment	0.0001	43	2	45	-	45
42	398.00	Miscellaneous Equipment	0.0000	-	-	-	-	0
43		SUBTOTAL GENERAL		\$ 3,655	\$ 150	\$ 3,845	\$ (1)	\$ 3,524
44		TOTAL WATER PLANT ACC. DEP.		\$ 312,843	\$ 12,670	\$ 325,513	\$ 451	\$ 325,582
45		AFUDC ADJUSTMENT 3/95		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
46		Adjustment Due To Rounding		-	-	-	-	0
47		ADJUSTED WATER PLANT ACC. DEP.		\$ 312,843	\$ 12,670	\$ 325,513	\$ 451	\$ 325,582

References:

Column (A): Ratio Of Depreciable Plant Item To The Total Accumulated Depreciation Value (Col. (B), L 47)

Column (B): Company Prior Application Exhibit RJM-4f

Column (C): Column (A) (Line Item Allocation Factor) X Total Adjustment Of \$135,520

Column (D): Prior Rate Case Decision No. 60172, Exhibit A - Before Commission Approved Adjustments

Column (E): Commission Approved Adjustment Decision No. 60172, Exhibit A Per Acc. Dep. Adjustment On Total Plant And On Observation Wells

Column (F): Prior Rate Case Decision No. 60172, Exhibit A - After Commission Approved Adjustments

TEST YEAR PLANT SCHEDULES CONT'D  
ACC APPROVED PRIOR TEST YEAR ENDED MARCH 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) APPROVED DEP. RATE	(B) FULLY DEP. PLANT	(C) DEP. EXP.	(D) TOTAL PLANT VALUE	(E) ACCUM. DEP.	(F) NET PLANT VALUE
		INTANGIBLE						
1	301.00	Organization	0.00%	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	0.00%	-	-	2,047	-	2,047
3	303.00	Miscellaneous Intangibles	0.00%	-	-	0	-	0
4		SUBTOTAL INTANGIBLE		\$ 0	\$ 0	\$ 2,618	\$ 0	\$ 2,618
		SOURCE OF SUPPLY						
5	310.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 11,317	\$ 0	\$ 11,317
6	311.00	Structures And Improvements	2.40%	-	-	5,204	1,873	3,330
7	312.00	Collecting And Impounding Reservoirs	0.00%	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	0.00%	-	-	-	-	0
9	314.00	Wells And Springs	3.08%	-	-	119,918	43,748	76,170
10		SUBTOTAL SOURCE OF SUPPLY		\$ 0	\$ 0	\$ 136,438	\$ 45,621	\$ 90,817
		PUMPING						
11	320.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	1.94%	-	-	13,852	6,215	7,638
13	323.00	Other Power Production	0.00%	-	-	-	-	0
14	325.00	Electric Pumping Equipment	4.24%	-	-	146,183	47,926	98,257
15	326.00	Diesel Pumping Equipment	5.00%	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	4.24%	-	-	23,948	42	23,906
17		SUBTOTAL PUMPING		\$ -	\$ 0	\$ 184,033	\$ 54,183	\$ 129,851
		WATER TREATMENT						
18	330.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 50	\$ 0	\$ 0
19	331.00	Structures And Improvements	0.00%	-	-	-	-	0
20	332.00	Water Treatment Equipment	4.00%	-	-	-	-	0
21		SUBTOTAL WATER TREATMENT		\$ 0	\$ 0	\$ 50	\$ 0	\$ 0
		TRANSMISSION AND DISTRIBUTION						
22	340.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	1.92%	-	-	156	-	156
24	342.00	Distribution, Reservoirs, & ST	1.62%	-	-	143,844	13,235	130,609
25	343.00	Transmission And Distribution Mains	1.97%	-	-	585,646	158,304	427,342
26	344.00	Fire Mains	0.00%	-	-	-	-	0
27	345.00	Services	2.45%	-	-	120,480	31,342	89,138
28	346.00	Meters	2.42%	-	-	79,084	16,678	62,406
29	348.00	Hydrants	1.97%	-	-	14,703	2,696	12,007
30	349.00	Other Transmission And Distribution	0.00%	-	-	-	-	0
31		SUBTOTAL TRANS. AND DIST.		\$ 0	\$ 0	\$ 944,451	\$ 222,254	\$ 722,197
		GENERAL						
32	389.00	Land And Land Rights	0.00%	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	2.89%	-	-	-	-	0
34	391.00	Office Furniture And Equipment	3.28%	-	-	1,616	184	1,432
35	391.10	Computer Equipment	3.28%	-	-	-	-	0
36	392.00	Transportation Equipment	25.00%	-	-	21,462	2,792	18,670
37	393.00	Stores Equipment	4.00%	-	-	3,431	112	3,319
38	394.00	Tools, Shop And Garage	3.42%	-	-	7,378	391	6,987
39	395.00	Laboratory Equipment	0.00%	-	-	-	-	0
40	396.00	Power Operated Equipment	0.00%	-	-	-	-	0
41	397.00	Communication Equipment	5.03%	-	-	1,426	45	1,381
42	398.00	Miscellaneous Equipment	4.93%	-	-	-	-	0
43		SUBTOTAL GENERAL		\$ 0	\$ 0	\$ 38,068	\$ 3,524	\$ 34,544
44		AFUDC ADJUSTMENT 3/95	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding		-	-	-	-	0
46		TOTAL WATER PLANT		\$ 0	\$ 0	\$ 1,305,658	\$ 325,582	\$ 980,027

References:

Column (A): Prior Decision No. 60172 And Company Schedule C-2, Page 6  
Columns (B) (C): Company Response To RUCO Data Request No. 1.22  
Column (D): Schedule RLM-4, Page 2  
Column (E): Schedule RLM-4, Page 3  
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES CONT'D  
FROM MARCH 31, 1995 TO DECEMBER 31, 1995

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	-	-	-	2,047	-	2,047
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,618	\$ 0	\$ 2,618
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,317	\$ 0	\$ 11,317
6	311.00	Structures And Improvements	-	-	-	94	5,204	1,967	3,237
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	2,770	119,918	46,518	73,400
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 2,864	\$ 136,438	\$ 48,485	\$ 87,954
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	202	13,852	6,416	7,436
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	12,487	431	-	4,854	158,238	52,349	105,890
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	4,354	-	-	831	28,301	873	27,429
17		SUBTOTAL PUMPING	\$ 16,840	\$ 431	\$ 0	\$ 5,886	\$ 200,442	\$ 59,638	\$ 140,804
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	-	-	-	0
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	2	156	2	154
24	342.00	Distribution, Reservoirs, & ST	235	-	-	1,749	144,079	14,984	129,095
25	343.00	Trans. And Dist. Mains	79,443	3,908	-	9,269	661,181	163,664	497,516
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	31,610	1,426	-	2,517	150,664	32,433	118,231
28	346.00	Meters	4,466	3,143	-	1,504	80,408	15,039	65,368
29	348.00	Hydrants	396	-	-	220	15,100	2,916	12,183
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 116,151	\$ 8,477	\$ 0	\$ 15,262	\$ 1,052,125	\$ 229,039	\$ 823,086
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	-	-	-	0
34	391.00	Office Furniture And Equipment	1,543	-	-	59	3,159	243	2,916
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	-	-	-	4,024	21,462	6,816	14,646
37	393.00	Stores Equipment	-	-	-	103	3,431	215	3,216
38	394.00	Tools, Shop And Garage	-	-	-	189	7,378	580	6,798
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	450	-	-	62	1,876	107	1,769
42	398.00	Miscellaneous Equipment	-	-	-	-	-	-	0
43		SUBTOTAL GENERAL	\$ 1,993	\$ 0	\$ 0	\$ 4,437	\$ 40,061	\$ 7,962	\$ 32,099
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	-	-	-	-	-	-	(1)
46		TOTAL WATER PLANT	\$ 134,984	\$ 8,908	\$ 0	\$ 28,449	\$ 1,431,734	\$ 345,123	\$ 1,086,610

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D):  $0.75 \times [(\text{Col. (A)} + \text{Col. (B)}) \times \text{RLM-4, Page 4, Col. (A)} \times 1/2 \text{ yr. conv.}] + [\text{RLM-4, Page 4, Col. (D)} - \text{Col. (C)}] \times \text{RLM-4, Page 4, Col. (A)}$

Column (E): Schedule RLM-4, Page 4, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 4, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1996

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	-	-	-	2,047	-	2,047
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,618	\$ 0	\$ 2,618
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 9,424	\$ 0	\$ 0	\$ 0	\$ 20,741	\$ 0	\$ 20,741
6	311.00	Structures And Improvements	-	-	-	125	5,204	2,092	3,112
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	57,856	-	-	4,584	177,774	51,102	126,671
10		SUBTOTAL SUPPLY	\$ 67,280	\$ 0	\$ 0	\$ 4,709	\$ 203,718	\$ 53,194	\$ 150,524
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	269	13,852	6,685	7,167
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	605	-	-	6,722	158,844	59,071	99,773
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	-	-	-	1,200	28,302	2,073	26,229
17		SUBTOTAL PUMPING	\$ 605	\$ 0	\$ 0	\$ 8,191	\$ 201,047	\$ 67,829	\$ 133,219
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	-	-	-	0
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	3	156	5	151
24	342.00	Distribution, Reservoirs, & ST	-	-	-	2,334	144,079	17,318	126,761
25	343.00	Trans. And Dist. Mains	41,692	69	-	13,437	702,804	177,032	525,772
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	18,379	-	-	3,916	169,043	36,349	132,693
28	346.00	Meters	1,850	-	-	1,968	82,258	17,007	65,250
29	348.00	Hydrants	2,625	-	-	323	17,725	3,240	14,485
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 64,546	\$ 69	\$ 0	\$ 21,982	\$ 1,116,602	\$ 250,952	\$ 865,651
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	498	-	-	7	498	7	491
34	391.00	Office Furniture And Equipment	6,151	-	-	204	9,310	447	8,863
35	391.10	Computer Equipment	-	-	-	-	-	-	0
36	392.00	Transportation Equipment	-	-	-	5,366	21,462	12,181	9,281
37	393.00	Stores Equipment	-	-	-	137	3,431	353	3,078
38	394.00	Tools, Shop And Garage	265	-	-	257	7,643	837	6,806
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	400	-	-	104	2,276	211	2,065
42	398.00	Miscellaneous Equipment	-	-	-	-	-	-	0
43		SUBTOTAL GENERAL	\$ 7,314	\$ 0	\$ 0	\$ 6,076	\$ 47,375	\$ 14,037	\$ 33,338
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	(1)	-	-	-	-	-	(1)
46		TOTAL WATER PLANT	\$ 139,744	\$ 69	\$ 0	\$ 40,958	\$ 1,571,410	\$ 386,012	\$ 1,185,399

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 5, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 5, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 5, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1997

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	8	-	-	2,039	-	2,039
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 8	\$ 0	\$ 0	\$ 2,610	\$ 0	\$ 2,610
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,741	\$ 0	\$ 20,741
6	311.00	Structures And Improvements	14,886	-	-	304	20,089	2,395	17,694
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	3,175	-	-	5,524	180,948	56,627	124,322
10		SUBTOTAL SUPPLY	\$ 18,061	\$ 0	\$ 0	\$ 5,828	\$ 221,778	\$ 59,022	\$ 162,756
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	816	-	-	13	14,668	6,698	7,970
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	67,288	555	-	1,723	225,577	60,239	165,338
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	5,432	-	-	166	33,734	2,239	31,495
17		SUBTOTAL PUMPING	\$ 73,537	\$ 555	\$ 0	\$ 1,902	\$ 274,029	\$ 69,176	\$ 204,854
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	505	-	-	10	505	10	495
21		SUBTOTAL TREATMENT	\$ 505	\$ 0	\$ 0	\$ 10	\$ 555	\$ 10	\$ 545
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	0	156	5	151
24	342.00	Distribution, Reservoirs, & ST	-	1,382	-	49	142,697	15,985	126,712
25	343.00	Trans. And Dist. Mains	143,869	-	-	1,682	846,673	178,714	667,959
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	20,178	898	-	354	188,323	35,806	152,517
28	346.00	Meters	5,421	1,605	-	133	86,074	15,535	70,539
29	348.00	Hydrants	1,009	1,472	-	31	17,262	1,798	15,464
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 170,478	\$ 5,357	\$ 0	\$ 2,248	\$ 1,281,723	\$ 247,843	\$ 1,033,880
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	0	498	7	491
34	391.00	Office Furniture And Equipment	-	641	-	17	8,669	(176)	8,845
35	391.10	Computer Equipment	4,489	5	-	74	4,484	69	4,415
36	392.00	Transportation Equipment	26,518	-	-	4,656	47,980	16,837	31,143
37	393.00	Stores Equipment	-	34	-	6	3,397	325	3,072
38	394.00	Tools, Shop And Garage	433	-	-	16	8,076	854	7,222
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	175	-	-	10	2,451	221	2,229
42	398.00	Miscellaneous Equipment	659	-	-	16	659	16	642
43		SUBTOTAL GENERAL	\$ 32,274	\$ 680	\$ 0	\$ 4,796	\$ 78,968	\$ 18,153	\$ 60,815
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	(1)	-	-	-	1	-	(1)
46		TOTAL WATER PLANT	\$ 294,854	\$ 6,600	\$ 0	\$ 14,784	\$ 1,859,664	\$ 394,204	\$ 1,465,459

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 6, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 6, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 6, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1998

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	5	-	-	-	2,044	-	2,044
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 5	\$ 0	\$ 0	\$ 0	\$ 2,615	\$ 0	\$ 2,615
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 327	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures And Improvements	-	75	-	483	20,014	2,803	17,211
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	537	-	5,581	180,411	61,671	118,740
10		SUBTOTAL SUPPLY	\$ 0	\$ 939	\$ 0	\$ 6,065	\$ 220,839	\$ 64,147	\$ 156,692
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	285	14,668	6,983	7,686
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	17,455	299	-	9,941	242,733	69,881	172,852
15	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	0
16	328.10	Gas Engine Pumping Equipment	9,205	-	-	1,625	42,939	3,864	39,075
17		SUBTOTAL PUMPING	\$ 26,660	\$ 299	\$ 0	\$ 11,851	\$ 300,390	\$ 80,728	\$ 219,663
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	20	505	30	475
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 20	\$ 555	\$ 30	\$ 525
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	3	156	8	148
24	342.00	Distribution, Reservoirs, & ST	351	20,853	-	2,483	122,195	(2,385)	124,579
25	343.00	Trans. And Dist. Mains	52,701	-	-	17,199	899,374	195,912	703,461
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	18,410	2,749	-	4,873	203,984	37,930	166,054
28	346.00	Meters	3,222	1,593	-	2,141	87,703	16,083	71,619
29	348.00	Hydrants	6,992	-	-	409	24,254	2,207	22,046
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 81,675	\$ 25,195	\$ 0	\$ 27,108	\$ 1,338,203	\$ 249,756	\$ 1,088,447
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	14	498	22	476
34	391.00	Office Furniture And Equipment	2,783	-	-	330	11,452	154	11,298
35	391.10	Computer Equipment	3,655	-	-	207	8,139	276	7,863
36	392.00	Transportation Equipment	17,044	-	-	14,126	65,024	30,963	34,061
37	393.00	Stores Equipment	21	-	-	136	3,418	461	2,957
38	394.00	Tools, Shop And Garage	1,119	-	-	295	9,195	1,149	8,046
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	10	-	-	124	2,461	345	2,116
42	398.00	Miscellaneous Equipment	-	-	-	32	659	49	610
43		SUBTOTAL GENERAL	\$ 24,632	\$ 0	\$ 0	\$ 15,265	\$ 103,600	\$ 33,417	\$ 70,183
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	-	-	-	-	2	-	(1)
46		TOTAL WATER PLANT	\$ 132,972	\$ 26,433	\$ 0	\$ 60,308	\$ 1,966,204	\$ 428,080	\$ 1,538,123

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 7, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 7, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 7, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 1999

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	-	-	-	2,044	-	2,044
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,615	\$ 0	\$ 2,615
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures And Improvements	-	-	-	480	20,014	3,284	16,730
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	5,557	180,411	67,228	113,183
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 6,037	\$ 220,839	\$ 70,184	\$ 150,655
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	285	14,668	7,267	7,401
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	4,097	-	-	10,379	246,830	80,260	166,571
15	326.00	Diesel Pumping Equipment	879	-	-	22	879	22	857
16	328.10	Gas Engine Pumping Equipment	-	-	-	1,821	42,940	5,685	37,255
17		SUBTOTAL PUMPING	\$ 4,976	\$ 0	\$ 0	\$ 12,506	\$ 305,368	\$ 93,234	\$ 212,134
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	20	505	51	455
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 20	\$ 555	\$ 51	\$ 505
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	3	156	11	145
24	342.00	Distribution, Reservoirs, & ST	-	-	-	1,980	122,195	(405)	122,600
25	343.00	Trans. And Dist. Mains	2,712	-	-	17,744	902,086	213,657	688,429
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	5,780	-	-	5,068	209,764	42,998	166,766
28	346.00	Meters	-	-	-	2,122	87,703	18,206	69,497
29	348.00	Hydrants	-	-	-	478	24,254	2,685	21,569
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 8,492	\$ 0	\$ 0	\$ 27,396	\$ 1,346,695	\$ 277,152	\$ 1,069,544
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	14	498	36	462
34	391.00	Office Furniture And Equipment	-	-	-	376	11,452	529	10,923
35	391.10	Computer Equipment	2,770	-	-	312	10,909	588	10,321
36	392.00	Transportation Equipment	-	-	-	16,256	65,024	47,219	17,805
37	393.00	Stores Equipment	-	-	-	137	3,418	598	2,820
38	394.00	Tools, Shop And Garage	-	-	-	314	9,195	1,463	7,732
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	-	-	-	124	2,460	468	1,992
42	398.00	Miscellaneous Equipment	-	-	-	32	658	81	577
43		SUBTOTAL GENERAL	\$ 2,770	\$ 0	\$ 0	\$ 17,566	\$ 106,369	\$ 50,983	\$ 55,386
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	(1)	-	-	-	-	-	(1)
46		TOTAL WATER PLANT	\$ 16,237	\$ 0	\$ 0	\$ 63,524	\$ 1,982,441	\$ 491,604	\$ 1,490,836

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22  
Column (C): Intentionally Left Blank  
Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-11, Page 8, Col. (D) - Col. (C)] X RLM 4, Page 4, Col. (A)  
Column (E): Schedule RLM-4, Page 8, Column (D) + Column (A) - Column (B)  
Column (F): Schedule RLM-4, Page 8, Column (E) - Column (B) + Column (D)  
Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
YEAR ENDED DECEMBER 31, 2000

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRM'TS	(C) FULL DEP. PLT	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
		INTANGIBLE							
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	-	-	-	2,044	-	2,044
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,615	\$ 0	\$ 2,615
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures And Improvements	-	-	-	480	20,015	3,764	16,251
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	576	-	5,566	179,836	72,217	107,618
10		SUBTOTAL SUPPLY	\$ 0	\$ 576	\$ 0	\$ 6,046	\$ 220,264	\$ 75,654	\$ 144,610
		PUMPING							
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	285	14,668	7,552	7,116
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	-	3,516	-	10,540	243,314	87,284	156,030
15	326.00	Diesel Pumping Equipment	-	-	-	44	879	66	813
16	328.10	Gas Engine Pumping Equipment	-	-	-	1,821	42,940	7,506	35,434
17		SUBTOTAL PUMPING	\$ 0	\$ 3,516	\$ 0	\$ 12,689	\$ 301,851	\$ 102,407	\$ 199,444
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	20	505	71	434
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 20	\$ 555	\$ 71	\$ 484
		TRANSMISSION & DISTRIBUTION							
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	3	156	14	142
24	342.00	Distribution, Reservoirs, & ST	-	-	-	1,980	122,195	1,575	120,620
25	343.00	Trans. And Dist. Mains	5,038	177	-	17,822	906,947	231,302	675,644
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	3,707	597	-	5,192	212,873	47,592	165,281
28	346.00	Meters	44	1,475	-	2,141	86,272	18,872	67,400
29	348.00	Hydrants	-	-	-	478	24,254	3,163	21,091
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 8,789	\$ 2,249	\$ 0	\$ 27,616	\$ 1,353,235	\$ 302,518	\$ 1,050,717
		GENERAL							
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	14	498	51	447
34	391.00	Office Furniture And Equipment	-	-	-	376	11,452	905	10,547
35	391.10	Computer Equipment	-	1,474	-	382	9,435	(504)	9,939
36	392.00	Transportation Equipment	-	47,858	-	22,238	17,166	21,599	(4,433)
37	393.00	Stores Equipment	-	-	-	137	3,418	734	2,684
38	394.00	Tools, Shop And Garage	-	1,034	-	332	8,161	761	7,400
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	-	-	-	124	2,460	592	1,868
42	398.00	Miscellaneous Equipment	-	-	-	32	658	114	544
43		SUBTOTAL GENERAL	\$ 0	\$ 50,366	\$ 0	\$ 23,635	\$ 56,003	\$ 24,252	\$ 31,751
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	(1)	-	-	-	(1)	-	(1)
46		TOTAL WATER PLANT	\$ 8,788	\$ 56,707	\$ 0	\$ 70,006	\$ 1,934,522	\$ 504,903	\$ 1,429,620

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 9, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 9, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 9, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDIT'NS	(B) PLANT RETIRMTS	(C) FULL DEP. PL'T	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
INTANGIBLE									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	-	-	-	2,044	-	2,044
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,615	\$ 0	\$ 2,615
SOURCE OF SUPPLY									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures And Improvements	-	-	-	480	20,015	4,244	15,770
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	-	-	5,539	179,836	77,756	102,079
10		SUBTOTAL SUPPLY	\$ 0	\$ 0	\$ 0	\$ 6,019	\$ 220,264	\$ 81,674	\$ 138,591
PUMPING									
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	-	-	285	14,668	7,836	6,832
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	624	-	-	10,330	243,938	97,613	146,325
15	326.00	Diesel Pumping Equipment	-	-	-	44	879	110	769
16	328.10	Gas Engine Pumping Equipment	-	-	-	1,821	42,940	9,326	33,614
17		SUBTOTAL PUMPING	\$ 624	\$ 0	\$ 0	\$ 12,479	\$ -302,475	\$ 114,885	\$ 187,590
WATER TREATMENT									
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	-	20	505	91	414
21		SUBTOTAL TREATMENT	\$ 0	\$ 0	\$ 0	\$ 20	\$ 555	\$ 91	\$ 464
TRANSMISSION & DISTRIBUTION									
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	-	3	156	17	139
24	342.00	Distribution, Reservoirs, & ST	20,853	-	-	2,148	143,048	3,723	139,325
25	343.00	Trans. And Dist. Mains	1,845	20,784	-	18,090	888,008	228,608	659,400
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	60,593	-	-	5,958	273,466	53,550	219,916
28	346.00	Meters	2,025	-	-	2,112	88,297	20,984	67,313
29	348.00	Hydrants	-	-	-	478	24,254	3,641	20,613
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUBTOTAL TRANS. & DIST.	\$ 85,316	\$ 20,784	\$ 0	\$ 28,789	\$ 1,417,767	\$ 310,523	\$ 1,107,244
GENERAL									
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,755	\$ 0	\$ 2,755
33	390.00	Structures And Improvements	-	-	-	14	498	65	433
34	391.00	Office Furniture And Equipment	-	-	-	376	11,452	1,280	10,172
35	391.10	Computer Equipment	-	-	-	309	9,435	(194)	9,629
36	392.00	Transportation Equipment	-	-	-	4,292	17,166	25,891	(8,725)
37	393.00	Stores Equipment	-	-	-	137	3,418	872	2,546
38	394.00	Tools, Shop And Garage	-	-	-	279	8,161	1,041	7,120
39	395.00	Laboratory Equipment	-	-	-	-	-	-	0
40	396.00	Power Operated Equipment	-	-	-	-	-	-	0
41	397.00	Communication Equipment	1	-	-	124	2,461	716	1,745
42	398.00	Miscellaneous Equipment	-	-	-	32	658	147	511
43		SUBTOTAL GENERAL	\$ 1	\$ 0	\$ 0	\$ 5,563	\$ 56,004	\$ 29,817	\$ 26,187
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustment Due To Rounding	1	-	-	-	-	-	(1)
46		TOTAL WATER PLANT	\$ 85,942	\$ 20,784	\$ 0	\$ 52,870	\$ 1,999,680	\$ 536,991	\$ 1,462,689

References:

Columns (A) (B): Company Response To RUCO Data Request No. 1.22

Column (C): Intentionally Left Blank

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 10, Col. (D) - Col. (C)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 10, Column (D) + Column (A) - Column (B)

Column (F): Schedule RLM-4, Page 10, Column (E) - Column (B) + Column (D)

Column (G): Column (E) - Column (F)

TEST YEAR PLANT SCHEDULES CONT'D  
2001 TEST YEAR ADJUSTMENT TO GENERAL PLANT ALLOCATION - CITIZENS VERSUS ARIZONA-AMERICA

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PRE-AQUISITION		(C) ADJUSTMENTS		(E) POST-ACQUISITION		(G) NET PLANT VALUE
			TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	TOTAL PLANT VALUE	ACCUM. DEP.	
		INTANGIBLE							
1	301.00	Organization	\$ 571	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	2,044	-	-	-	2,044	-	2,044
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		SUBTOTAL INTANGIBLE	\$ 2,615	\$ 0	\$ 0	\$ 0	\$ 2,615	\$ 0	\$ 2,615
		SOURCE OF SUPPLY							
5	310.00	Land And Land Rights	\$ 20,414	\$ (327)	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures & Improvements	20,015	4,244	-	-	20,015	4,244	15,770
7	312.00	Collecting & Impound Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	179,836	77,756	-	-	179,836	77,756	102,079
10		SUBTOTAL SUPPLY	\$ 220,264	\$ 81,674	\$ 0	\$ 0	\$ 220,264	\$ 81,674	\$ 138,591
		PUMPING							
11	320.00	Land And Land Rights	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures & Improvements	14,668	7,836	-	-	14,668	7,836	6,832
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	243,938	97,613	-	-	243,938	97,613	146,325
15	326.00	Diesel Pumping Equipment	879	110	-	-	879	110	769
16	328.10	Gas Engine Pumping Equip.	42,940	9,326	-	-	42,940	9,326	33,614
17		SUBTOTAL PUMPING	\$ 302,476	\$ 114,885	\$ 0	\$ 0	\$ 302,475	\$ 114,885	\$ 187,590
		WATER TREATMENT							
18	330.00	Land And Land Rights	\$ 50	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures & Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	505	91	-	-	505	91	414
21		SUBTOTAL TREATMENT	\$ 555	\$ 91	\$ 0	\$ 0	\$ 555	\$ 91	\$ 464
		TRANS. & DIST.							
22	340.00	Land And Land Rights	\$ 539	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures & Improvements	156	17	-	-	156	17	139
24	342.00	Dist., Res., & ST	143,048	3,723	-	-	143,048	3,723	139,325
25	343.00	Trans. And Dist. Mains	888,008	228,608	-	-	888,008	228,608	659,400
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	273,466	53,550	-	-	273,466	53,550	219,916
28	346.00	Meters	88,297	20,984	-	-	88,297	20,984	67,313
29	348.00	Hydrants	24,254	3,641	-	-	24,254	3,641	20,613
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		SUB TRANS. & DIST.	\$ 1,417,767	\$ 310,523	\$ 0	\$ 0	\$ 1,417,767	\$ 310,523	\$ 1,107,244
		GENERAL							
32	389.00	Land And Land Rights	\$ 2,755	\$ 0	\$ (2,729)	\$ 0	\$ 26	\$ 0	\$ 26
33	390.00	Structures & Improvements	498	65	17,269	1,585	17,767	1,650	16,117
34	391.00	Office Furniture & Equip.	11,452	1,280	(6,159)	632	5,293	1,912	3,381
35	391.10	Computer Equipment	9,435	(194)	(1,858)	(2,112)	7,577	(2,306)	9,883
36	392.00	Transportation Equipment	17,166	25,891	(7,631)	(25,794)	9,535	5507	4,028
37	393.00	Stores Equipment	3,418	872	(3,266)	(750)	152	41	111
38	394.00	Tools, Shop And Garage	8,161	1,041	(5,980)	(814)	2,181	97	2,084
39	395.00	Laboratory Equipment	-	-	691	1,764	691	122	569
40	396.00	Power Operated Equipment	-	-	638	681	638	227	411
41	397.00	Communication Equipment	2,461	716	603	8,980	3,064	1,764	1,300
42	398.00	Miscellaneous Equipment	658	147	812	9,549	1,470	681	789
43		SUBTOTAL GENERAL	\$ 56,004	\$ 29,817	\$ (7,610)	\$ (6,278)	\$ 48,394	\$ 9,696	\$ 38,699
44		AFUDC ADJUSTMENT 3/95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
45		Adjustm't Due To Rounding	(1)	-	(1)	-	(1)	-	0
46		TOTAL WATER PLANT	\$ 1,999,680	\$ 536,991	\$ (7,611)	\$ (6,278)	\$ 1,992,069	\$ 516,869	\$ 1,475,203
47		Company As Filed B-2					1,981,996	551,582	
48		Adjustment To Test Year Total Plant And Accumulated Depreciation (See RLM-3, Col (B), Lines 1 & 2)					\$ 10,073	\$ (34,713)	

References:

Column (A): Schedule RLM-4, Page 11, Column (E)  
Column (B): Schedule RLM-4, Page 11, Column (F)  
Columns (C) (D): Adjustment To Replace Citizens' Utilities General Plant With Arizona Water Common Plant Allocation As Per Company Schedule B-2, Pg 2  
Column (E): Column (A) - Column (C) As Per Company Schedule B-2, Page 3  
Column (F): Column (B) - Column (D) As Per Company Schedule B-2, Page 3  
Column (G): Column (E) - Column (F)

POST TEST YEAR 2001 PLANT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) REVENUE NEUTRAL PLANT ADD'N	(B) ORCOM & PLANT AT CLOSING	(C) ADDIT'NAL ACC. DEP. CLOS'G	(D) DEP. EXP.	(E) TOTAL PLANT VALUE	(F) ACCUM. DEP.	(G) NET PLANT VALUE
<b>INTANGIBLE</b>									
1	301.00	Organization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 571	\$ 0	\$ 571
2	302.00	Franchises	-	5,617	-	-	7,661	-	7,661
3	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	0
4		<b>SUBTOTAL INTANGIBLE</b>	<b>\$ 0</b>	<b>\$ 5,617</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,232</b>	<b>\$ 0</b>	<b>\$ 8,232</b>
<b>SOURCE OF SUPPLY</b>									
5	310.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,414	\$ (327)	\$ 20,741
6	311.00	Structures And Improvements	-	-	240	-	20,015	4,484	15,530
7	312.00	Collecting And Impounding Res.	-	-	-	-	-	-	0
8	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	0
9	314.00	Wells And Springs	-	(63,321)	(4,920)	(975)	116,515	71,861	44,654
10		<b>SUBTOTAL SUPPLY</b>	<b>\$ 0</b>	<b>\$ (63,321)</b>	<b>\$ (4,680)</b>	<b>\$ (975)</b>	<b>\$ 156,943</b>	<b>\$ 76,018</b>	<b>\$ 80,925</b>
<b>PUMPING</b>									
11	320.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
12	321.00	Structures And Improvements	-	50	142	-	14,718	7,978	6,740
13	323.00	Other Power Production	-	-	-	-	-	-	0
14	325.00	Electric Pumping Equipment	28,825	-	5,123	611	272,763	103,347	169,416
15	326.00	Diesel Pumping Equipment	-	-	-	-	879	110	769
16	328.10	Gas Engine Pumping Equipment	-	-	911	-	42,940	10,237	32,703
17		<b>SUBTOTAL PUMPING</b>	<b>\$ 28,825</b>	<b>\$ 50</b>	<b>\$ 6,176</b>	<b>\$ 611</b>	<b>\$ 331,350</b>	<b>\$ 121,672</b>	<b>\$ 209,678</b>
<b>WATER TREATMENT</b>									
18	330.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
19	331.00	Structures And Improvements	-	-	-	-	-	-	0
20	332.00	Water Treatment Equipment	-	-	10	-	505	101	404
21		<b>SUBTOTAL TREATMENT</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10</b>	<b>\$ 0</b>	<b>\$ 555</b>	<b>\$ 101</b>	<b>\$ 454</b>
<b>TRANSMISSION &amp; DISTRIBUTION</b>									
22	340.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539	\$ 0	\$ 539
23	341.00	Structures And Improvements	-	-	1	-	156	18	138
24	342.00	Distribution, Reservoirs, & ST	-	-	1,153	-	143,048	4,876	138,172
25	343.00	Trans. And Dist. Mains	55,070	-	8,704	542	943,078	237,854	705,223
26	344.00	Fire Mains	-	-	-	-	-	-	0
27	345.00	Services	-	-	3,342	-	273,466	56,892	216,574
28	346.00	Meters	-	-	1,063	-	88,297	22,047	66,250
29	348.00	Hydrants	-	-	238	-	24,254	3,879	20,375
30	349.00	Other Trans. And Dist.	-	-	-	-	-	-	0
31		<b>SUBTOTAL TRANS. &amp; DIST.</b>	<b>\$ 55,070</b>	<b>\$ 0</b>	<b>\$ 14,501</b>	<b>\$ 542</b>	<b>\$ 1,472,837</b>	<b>\$ 325,567</b>	<b>\$ 1,147,271</b>
<b>GENERAL</b>									
32	389.00	Land And Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26	\$ 0	\$ 26
33	390.00	Structures And Improvements	734	-	7	11	18,501	1,668	16,833
34	391.00	Office Furniture And Equipment	3,237	-	188	53	8,530	2,153	6,377
35	391.10	Computer Equipment	-	-	943	-	7,577	(1,363)	8,940
36	392.00	Transportation Equipment	-	-	2,145	-	9,535	7,652	1,883
37	393.00	Stores Equipment	-	-	68	-	152	109	43
38	394.00	Tools, Shop And Garage	-	-	139	-	2,181	236	1,945
39	395.00	Laboratory Equipment	-	-	-	-	691	122	569
40	396.00	Power Operated Equipment	-	-	-	-	638	227	411
41	397.00	Communication Equipment	785	(1)	62	20	3,848	1,846	2,002
42	398.00	Miscellaneous Equipment	-	-	16	-	1,470	697	773
43		<b>SUBTOTAL GENERAL</b>	<b>\$ 4,756</b>	<b>\$ (1)</b>	<b>\$ 3,568</b>	<b>\$ 83</b>	<b>\$ 53,148</b>	<b>\$ 13,346</b>	<b>\$ 39,803</b>
44		<b>AFUDC ADJUSTMENT 3/95</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
45		<b>Adjustment Due To Rounding</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(1)</b>
46		<b>TOTAL WATER PLANT</b>	<b>\$ 88,651</b>	<b>\$ (57,655)</b>	<b>\$ 19,576</b>	<b>\$ 262</b>	<b>\$ 2,023,065</b>	<b>\$ 536,707</b>	<b>\$ 1,486,361</b>
47		Company As Filed B-2					1,968,841	571,158	
48		Difference In Post Test Year Gross Plant					54,224	(34,451)	
49		Adjustment To Test Year Gross Plant As Per RLM-4, Page 12, Cols (E) And (F), L 48					10,073	(34,713)	
50		Adjustment To Post Test Year Total Plant And Acc. Dep. (See RLM-3, Col (C), L 1 & L 2)					44,151	262	

References:

Column (A): Company's Response To Staff Data Request No. DWC 12-1 To 12-3

Columns (B) (C): Company Schedule B-2, Pages 1 And 8

Column (D): [(Col. (A) + Col. (B)) X RLM-4, Page 4, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 12, Col. (E)] X RLM-4, Page 4, Col. (A)

Column (E): Schedule RLM-4, Page 12, Column (D) + Column (A) + Column (B)

Column (F): Schedule RLM-4, Page 12, Column (F) + Column (C) + Column (D)

Column (G): Column (E) - Column (F)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'TMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Metered Water Revenues	\$ 251,795	\$ 0	\$ 251,795	\$ 40,812	\$ 292,607
2	Unmetered Water Revenues	0	-	-	-	0
3	Other Water Revenues	2,691	-	2,691	-	2,691
4	TOTAL OPERATING REVENUES	<u>\$ 254,486</u>	<u>\$ 0</u>	<u>\$ 254,486</u>	<u>\$ 40,812</u>	<u>\$ 295,298</u>
OPERATING EXPENSES:						
5	Salaries And Wages	\$ 77,690	\$ (24,274)	\$ 53,416	\$ 0	\$ 53,416
6	Purchased Water	0	-	-	-	0
7	Purchased Power	20,767	-	20,767	-	20,767
8	Chemicals	16	-	16	-	16
9	Repairs And Maintenance	18,029	-	18,029	-	18,029
10	Office Supplies And Expenses	19,965	(2,061)	17,904	-	17,904
11	Outside Services	10,516	-	10,516	-	10,516
12	Service Company Fees	38,653	(5,903)	32,750	-	32,750
13	Water Testing	1,420	-	1,420	-	1,420
14	Rents	3,454	-	3,454	-	3,454
15	Transportation Expenses	0	-	-	-	0
16	Insurance - General Liability	3,428	(1,061)	2,367	-	2,367
17	Insurance - Health And Life	0	-	-	-	0
18	Regulatory Comm. Exp. - Rate Case	1,680	(674)	1,006	-	1,006
19	Miscellaneous Expense	7,022	56	7,078	-	7,078
20	Depreciation Expense	37,208	(1,645)	35,563	-	35,563
21	Taxes Other Than Income	4,809	(22,190)	(17,381)	-	(17,381)
22	Property Taxes	23,752	(3,698)	20,054	-	20,054
23	Income Tax	(28,505)	31,297	2,792	8,539	11,331
24	Adjustment Due To Rounding	-	-	-	-	0
25	TOTAL OPERATING EXPENSES	<u>\$ 239,904</u>	<u>\$ (30,153)</u>	<u>\$ 209,751</u>	<u>\$ 8,539</u>	<u>\$ 218,289</u>
26	OPERATING INCOME (LOSS)	<u>\$ 14,582</u>	<u>\$ 30,153</u>	<u>\$ 44,735</u>	<u>\$ 32,273</u>	<u>\$ 77,008</u>
Other Income (Expense):						
27	Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
28	Other Income	0	-	-	-	0
29	Interest Expense	(516,761)	482,577	(34,184)	-	(34,184)
30	Other Expense	0	-	-	-	0
31	Gain/Loss Sale Of Assets	0	-	-	-	0
32	TOTAL OTHER INCOME (EXPENSE)	<u>\$ (516,761)</u>	<u>\$ 482,577</u>	<u>\$ (34,184)</u>	<u>\$ 0</u>	<u>\$ (34,184)</u>
33	NET PROFIT (LOSS)	<u>\$ (502,179)</u>	<u>\$ 512,730</u>	<u>\$ 10,551</u>	<u>\$ 32,273</u>	<u>\$ 42,824</u>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony, RLM And Schedule RLM-7  
Column (C): Column (A) + Column (B)  
Column (D): Testimony, RLM And Schedule RLM-1  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS  
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) RUCO AS ADJ
1	OPERATING REVENUES:												
2	Metered Water Revenues	\$ 251,795	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 251,795
3	Unmetered Water Revenues	0	-	-	-	-	-	-	-	-	-	-	0
4	Other Water Revenues	2,691	-	-	-	-	-	-	-	-	-	-	2,691
5	TOTAL OPERATING REVENUES	\$ 254,486	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 254,486
6	OPERATING EXPENSES:												
7	Salaries And Wages	\$ 77,690	\$ 0	\$ 0	\$ 0	\$ (9,992)	\$ 0	\$ 0	\$ 0	\$ (14,282)	\$ 0	\$ 0	\$ 53,416
8	Purchased Water	0	-	-	-	-	-	-	-	-	-	-	0
9	Purchased Power	20,767	-	-	-	-	-	-	-	-	-	-	20,767
10	Chemicals	16	-	-	-	-	-	-	-	-	-	-	16
11	Repairs And Maintenance	18,029	-	-	-	-	-	-	-	-	-	-	18,029
12	Office Supplies And Expenses	19,965	-	-	-	-	-	-	-	-	-	-	19,965
13	Outside Services	10,516	-	-	-	-	-	-	-	-	-	-	10,516
14	Service Company Fees	38,653	-	-	-	-	-	-	-	-	-	-	38,653
15	Water Testing	1,420	-	-	-	-	-	-	-	-	-	-	1,420
16	Rents	3,454	-	-	-	-	-	-	-	-	-	-	3,454
17	Transportation Expenses	0	-	-	-	-	-	-	-	-	-	-	0
18	Insurance - General Liability	3,428	-	-	-	-	-	-	-	-	-	-	3,428
19	Insurance - Health And Life	0	-	-	-	-	-	-	-	-	-	-	0
20	Regulatory Comm. Exp. - Rate Case	1,680	-	-	-	-	-	-	-	-	-	-	1,680
21	Miscellaneous Expense	7,022	-	-	-	-	-	-	-	-	-	-	7,022
22	Depreciation Expense	37,208	-	-	-	-	-	-	-	-	-	-	37,208
23	Taxes Other Than Income	4,809	-	-	-	-	-	-	-	-	-	-	4,809
24	Property Taxes	23,752	-	-	-	-	-	-	-	-	-	-	23,752
25	Income Tax	(28,505)	-	-	-	-	-	-	-	-	-	-	0
26	Adjustment Due To Rounding	-	-	-	-	-	-	-	-	-	-	-	0
27	TOTAL OPERATING EXPENSES	\$ 239,904	\$ 0	\$ (21,426)	\$ (5,903)	\$ (10,756)	\$ (1,645)	\$ (3,698)	\$ (674)	\$ (17,348)	\$ 0	\$ 31,297	\$ 209,751
28	OPERATING INCOME (LOSS)	\$ 14,582	\$ 0	\$ 21,426	\$ 5,903	\$ 10,756	\$ 1,645	\$ 3,698	\$ 674	\$ 17,348	\$ 0	\$ (31,297)	\$ 44,736
29	Other Income (Expense):												
30	Interest Income	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
31	Other Income	0	-	-	-	-	-	-	-	-	-	-	0
32	Interest Expense	(516,761)	-	-	-	-	-	-	-	-	-	-	(516,761)
33	Other Expense	0	-	-	-	-	-	-	-	-	-	-	0
34	Gain/Loss Sale Of Assets	0	-	-	-	-	-	-	-	-	-	-	0
35	TOTAL OTHER INCOME (EXPENSE)	\$ (516,761)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (516,761)
36	NET PROFIT (LOSS)	\$ (502,179)	\$ 0	\$ 21,426	\$ 5,903	\$ 10,756	\$ 1,645	\$ 3,698	\$ 674	\$ 17,348	\$ 482,577	\$ (31,297)	\$ 10,551
37	ADJUSTMENT NO.												
38	1- Removing Citizens Corporate Allocations	Testimony, RLM											
39	2- Remove Test Year Salaries And Wages	Testimony, RLM											
40	3- Service Company Fees	Testimony, RLM											
41	4- Projected Salaries And Wages	Testimony, RLM											
42	5- Depreciation Expense	Testimony, RLM And Schedule RLM-8											
43	6- Property Taxes	Testimony, RLM And Schedule RLM-9											
44	7- Rate Case Expense	Testimony, RLM											
45	8- Projected Additional Corporate Overhead Expenses	Testimony, RLM											
46	9- Intentionally Left Blank	Testimony, RLM And Schedule RLM-10											
47	10- Income Tax												

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2**  
**CITIZENS SALARIES AND WAGES**

LINE NO.	DISTRICT	ACCOUNT	CITIZENS BUSINESS UNIT	(A) COMPANY AS FILED	(B) RUCO AS ADJ'D	(C) ADJM'T
	TUBAC		4002-4503			
1		Salaries And Wages		\$ 60,229	\$ 60,229	\$ -
2		Payroll Tax		26,283	4,857	(21,426)
3		TOTAL		<u>\$ 86,512</u>	<u>\$ 65,086</u>	<u>\$ (21,426)</u>

References:

Column (A): Company Schedule C-2, Page 3

Column (B): Company Provided Data On Citizens 2001 Payroll

Column (C): Column (B) - Column (A)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3  
AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	AZ-AM BUS. UNIT	(A) TOTAL SERVICE CHARGES		(B)	(C)	(D) ALLOCATED SERVICE CHARGES		(E)	(F)
			COMPANY AS FILED	RUCO AS ADJ'TED	FOUR FACT'R	COMPANY AS FILED	RUCO AS ADJ'TED	ADJ'MENT		
1	Sun City West Water	2364	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 515,886	\$ 437,098	\$ (78,789)		
2	Sun City West Wastewater	2365	\$ 5,153,711	\$ 4,366,610	0.1072	\$ 552,478	\$ 468,101	\$ (84,377)		
3	Sun City Water	2362	\$ 5,153,711	\$ 4,366,610	0.1797	\$ 926,122	\$ 784,680	\$ (141,442)		
4	Sun City Wastewater	2363	\$ 5,153,711	\$ 4,366,610	0.1014	\$ 522,586	\$ 442,774	\$ (79,812)		
5	Tubac	2389	\$ 5,153,711	\$ 4,366,610	0.0075	\$ 38,653	\$ 32,750	\$ (5,903)		
TUBAC						COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T		
6	Arizona-American Service Company Allocation					\$ 38,653	\$ 32,750	\$ (5,903)		

References:

Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (A) X Column (C)  
Column (E): Column (B) X Column (C)  
Column (F): Column (E) - Column (D)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4  
PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP: COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	2365	418,601	113,022	305,579	9	25,582
3	Sun City Water	2362	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	2363	80,003	21,601	58,402	4	5,448
5	Tubac	2389	68,044	18,372	49,672	1	4,045
TUBAC				COMPANY AS FILED	RUCO AS ADJ'TED	ADJUSTM'T	
6		Salaries And Wages		\$ 59,664	\$ 49,672	\$ (9,992)	
7		Payroll Tax		4,809	4,045	(764)	
8		TOTAL		<u>\$ 64,473</u>	<u>\$ 53,717</u>	<u>\$ (10,756)</u>	

References:

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) TOTAL UNDEPREC'D PLANT	(B) APR'D DEP. RATE	(C) TEST YEAR DEPREC'N EXPENSE
		INTANGIBLE			
1	301.00	Organization	\$ 571	0.00%	\$ 0
2	302.00	Franchises	7,661	0.00%	-
3	303.00	Miscellaneous Intangible	-	0.00%	-
4		SUBTOTAL INTANGIBLE	<u>\$ 8,232</u>		<u>\$ 0</u>
		SOURCE OF SUPPLY			
5	310.00	Land And Land Rights	\$ 20,414	0.00%	\$ 0
6	311.00	Structures And Improvements	20,015	2.40%	480
7	312.00	Collecting And Impounding Res.	-	0.00%	-
8	313.00	Lakes, Rivers, Other Intake	-	0.00%	-
9	314.00	Wells And Springs	116,515	3.08%	3,589
10		SUBTOTAL SUPPLY	<u>\$ 156,943</u>		<u>\$ 4,069</u>
		PUMPING			
11	320.00	Land And Land Rights	\$ 50	0.00%	\$ 0
12	321.00	Structures And Improvements	14,718	1.94%	286
13	323.00	Other Power Production	-	0.00%	-
14	325.00	Electric Pumping Equipment	272,763	4.24%	11,565
15	326.00	Diesel Pumping Equipment	879	5.00%	44
16	328.10	Gas Engine Pumping Equipment	42,940	4.24%	1,821
17		SUBTOTAL PUMPING	<u>\$ 331,350</u>		<u>\$ 13,715</u>
		WATER TREATMENT			
18	330.00	Land And Land Rights	\$ 50	0.00%	\$ 0
19	331.00	Structures And Improvements	-	0.00%	-
20	332.00	Water Treatment Equipment	505	4.00%	20
21		SUBTOTAL TREATMENT	<u>\$ 555</u>		<u>\$ 20</u>
		TRANSMISSION & DISTRIBUTION			
22	340.00	Land And Land Rights	\$ 539	0.00%	\$ 0
23	341.00	Structures And Improvements	156	1.92%	3
24	342.00	Distribution, Reservoirs, & ST	143,048	1.62%	2,317
25	343.00	Trans. And Dist. Mains	943,078	1.97%	18,579
26	344.00	Fire Mains	-	0.00%	-
27	345.00	Services	273,466	2.45%	6,700
28	346.00	Meters	88,297	2.42%	2,137
29	348.00	Hydrants	24,254	1.97%	478
30	349.00	Other Trans. And Dist.	-	0.00%	-
31		SUBTOTAL TRANS. & DIST.	<u>\$ 1,472,837</u>		<u>\$ 30,214</u>
		GENERAL			
32	389.00	Land And Land Rights	\$ 26	0.00%	\$ 0
33	390.00	Structures And Improvements	18,501	2.89%	535
34	391.00	Office Furniture And Equipment	8,530	3.28%	280
35	391.10	Computer Equipment	7,577	3.28%	249
36	392.00	Transportation Equipment	9,535	25.00%	2,384
37	393.00	Stores Equipment	152	4.00%	6
38	394.00	Tools, Shop And Garage	2,181	3.42%	75
39	395.00	Laboratory Equipment	691	0.00%	-
40	396.00	Power Operated Equipment	638	0.00%	-
41	397.00	Communication Equipment	3,848	5.03%	194
42	398.00	Miscellaneous Equipment	1,470	4.93%	72
43		SUBTOTAL GENERAL	<u>\$ 53,148</u>		<u>\$ 3,793</u>
44		TOTAL	<u>\$ 2,023,065</u>		<u>\$ 51,811</u>
45		Amortization Of Deferred Regulatory Assets	\$ 4,596	2.58%	\$ 118
46		Depreciation On Well-Not-In-Service	\$ (64,945)	3.08%	\$ (2,000)
47		Amortization On CIAC	\$ (143,675)	10.00%	\$ (14,368)
48		Adjustment Due To Rounding	-		1
49		TOTAL WATER PLANT	<u>\$ 2,023,065</u>		<u>\$ 35,563</u>
50		Company As Filed As Per Schedule C-2, Pg 6, Line 73			37,208
51		Adjustment To Depreciation Expense (See RLM-6, Col (B), Line 20)			<u>\$ (1,645)</u>

References:

Column (A): Schedule RLM-5, Page 1, Column (E)

Column (B): Schedule RLM-4, Page 4, Column (A)

Column (C): Column (A) X Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6  
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	(A)	(B)
	Calculation Of The Company's Full Cash Value:		
	Annual Operating Revenues:		
1	Year 1999 (Company Schedule E-2)	\$ 289,142	
2	Year 2000 (Company Schedule E-2)	272,516	
3	Year 2001 (Company Schedule E-2)	252,010	
4	Total Three Year Operating Revenues (L1 + L2 + L3)	\$ 813,668	
5	Average Annual Operating Revenues (L4 / 3)	271,223	
6	Two Times Three Year Average Operating Revenues (L5 X 2)		\$ 542,445
	ADD: Ten Percent Of Construction Work In Progress ("CWIP"):		
7	Test Year CWIP	\$ 15,645	
8	10% Of CWIP (L7 X 10%)		\$ 1,565
	SUBTRACT: Transportation At Book Value:		
9	Original Cost Of Transportation Equipment (RLM-5, Pg 1, Col (E), L 36)	\$ 9,535	
10	Acc. Dep. Of Transportation Equipment (RLM-5, Pg 1, Col (F), L 36)	7,652	
11	Book Value Of Transportation Equipment (L9 - L10)		\$ 1,883
12	COMPANY'S FULL CASH VALUE (L6 + L8 + L11)		\$ 542,127
	Calculation Of The Company's Tax Liability:		
	MULTIPLY: Company Full Cash Value By Valuation Assessment Ratio And Then By Property Tax Rates:		
13	Assessment Ratio (ADOR Directive)	25%	
14	Assessed Value (L12 X L13)	\$ 135,532	
	Property Tax Rates:		
15	Primary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	14.80%	
16	Secondary Tax Rate (2001 Tax Notice - Co.'s Data Response - "Property Tax")	0.00%	
17	Estimated Tax Rate Liability (L14 + L15)	14.80%	
18	COMPANY'S TAX LIABILITY - Based On Full Cash Value (L14 X L17)		\$ 20,054
19	Test Year Adjusted Property Tax Expense Per Co.'s Filing (Sch. RLM-6, Col. (A), L29)	\$ 23,752	
20	Increase (Decrease) In Property Tax Expense (L18 - L19)	\$ (3,698)	
21	Adjustment To Property Tax Expense From Company's Direct Filing (See RLM-6 Col. (B), L22)		\$ (3,698)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7  
RATE CASE EXPENSE

LINE NO.		(A) REVISED T. Y. REV. FACTORS	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) TOTAL DIFFERENCE	(E) 3 YEAR AMORTIZED DIFFERENCE
1	Total Rate Case Expense		\$ 699,954	\$ 418,941	\$ (281,013)	\$ (93,671)
2	Sun City West Water	0.0956	\$ 66,939	\$ 40,065	\$ (26,874)	\$ (8,958)
3	Sun City West Wastewater	0.1000	70,006	41,901	(28,106)	(9,369)
4	Sun City Water	0.1752	122,623	73,393	(49,230)	(16,410)
5	Sun City Wastewater	0.1439	100,749	60,301	(40,448)	(13,483)
6	Tubac	0.0072	5,039	3,016	(2,023)	(674)
7	Agua Fria	0.1750	122,482	73,309	(49,173)	(16,391)
8	Anthem Water	0.1135	79,413	47,531	(31,882)	(10,627)
9	Agua Fria, Anthem Wastewater	0.0528	36,958	22,120	(14,837)	(4,946)
10	Mohave Water	0.1243	87,016	52,081	(34,935)	(11,645)
11	Havasu Water	0.0125	8,730	5,225	(3,505)	(1,168)
12	TOTAL	<u>1.0000</u>	<u>\$ 699,954</u>	<u>\$ 418,941</u>	<u>\$ (281,013)</u>	<u>\$ (93,671)</u>
			COMPANY AS FILED	RUCO AS ADJUSTED	TOTAL DIFFERENCE	3 YEAR AMORTIZED DIFFERENCE
13	TUBAC Rate Case Expense		\$ 5,039	\$ 3,016	\$ (2,023)	\$ (674)

References:

Column (A) : Revised Company Adjusted Test Year Revenue Factors To Remove Mohave Sewer From Allocation  
Column (B): Company Response To Data Request Minus The Mohave Sewer Allocated Value Of \$6,017  
Column (C): Column (A) X RUCO's Recommended Total Rate Case Expense  
Column (D): Column (C) - Column (B)  
Column (E): Column (D) Divided By 3 (The Three Year Amortization Period)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	EXPENSE ACCOUNT	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) ADJUSTMENT
	TUBAC				
1		Salaries And Wages	\$ 18,026	\$ 3,744	\$ (14,282)
2		Office Supplies & Expense	11,447	9,386	(2,061)
3		Insurance	3,412	2,351	(1,061)
4		Miscellaneous Expense	221	277	56
5		TOTAL	<u>\$ 33,106</u>	<u>\$ 15,758</u>	<u>\$ (17,348)</u>

References:

Column (A): Company Schedule C-2, Page 11

Column (B): Allocated Amounts From RLM-13, Pg 2, Line 28

Column (C): Column (B) - Column (A)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	CATEGORY	(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED	(C) DIFFERENCE	(D)
1	Employee Benefits	\$ 964,147	\$ 374,404	\$ 589,743	
2	Directors Fees: Office Supplies & Exp.	1,270,126	1,030,972	239,154	
3	Miscellaneous Expenses	6,000	8,500	(2,500)	
4	Trustees Fees: Office Supplies & Exp.	645,847	447,842	198,005	
5	Miscellaneous Expenses	17,058	21,881	(4,823)	
6	Insurance	258,736	215,200	43,536	
7	Subtotal	<u>\$ 3,161,914</u>	<u>\$ 2,098,797</u>	<u>\$ 1,063,117</u>	
8	Non-Applicable Accounts	<u>\$ 2,153,067</u>	<u>\$ 2,117,294</u>	<u>\$ 35,773</u>	
9	TOTAL (See RLM-13, Pg 3)	<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ 1,098,890</u>	
	ALLOCATION FACTORS	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT	PROFORMA PLANT
10	Sun City West Water	0.0908	0.1375	0.0600	0.0135
11	Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
12	Sun City Water	0.2695	0.1958	0.2400	0.1254
13	Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
14	Tubac	0.0109	0.0044	0.0100	0.0110
15	Agua Fria	0.1052	0.1147	0.0700	0.2417
16	Anthem Water	0.0544	0.0284	0.1200	0.2326
17	Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
18	Mohave Water	0.0842	0.1217	0.1500	0.0371
19	Havasus Water	0.0076	0.0105	0.0300	0.0552
20	Subtotal	<u>0.8247</u>	<u>0.9534</u>	<u>0.8700</u>	<u>0.9544</u>
21	Mohave Sewer	0.0037	0.0051	0.0100	0.0089
22	Paradise Valley (Est. - 2001 Annual Report)	0.1715	0.0414	0.1200	0.0367
23	TOTAL	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
	ALLOCATED AMOUNTS	EMP. BEN.	OFF. SUP/EXP	INSURANCE	MISC. EXP.
24	Sun City West Water	22,464	182,392	19,535	1,464
25	Sun City West Wastewater	33,696	168,783	16,021	1,238
26	Sun City Water	\$ 89,857	\$ 322,580	\$ 57,988	\$ 4,408
27	Sun City Wastewater	14,976	242,477	24,091	1,686
28	Tubac	3,744	9,386	2,351	277
29	Agua Fria	26,208	165,421	22,645	6,263
30	Anthem Water	44,928	53,684	11,712	5,332
31	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
32	Mohave Water	56,161	163,185	18,113	1,846
33	Havasus Water	11,232	14,208	1,630	1,297
34	Subtotal	<u>\$ 325,731</u>	<u>\$ 1,352,330</u>	<u>\$ 177,484</u>	<u>\$ 28,987</u>
35	Mohave Sewer	3,744	6,945	806	238
36	Paradise Valley (Est. - 2001 Annual Report)	44,928	119,539	36,910	1,155
37	Subtotal	<u>\$ 48,672</u>	<u>\$ 126,483</u>	<u>\$ 37,716</u>	<u>\$ 1,393</u>
38	TOTAL	<u>\$ 374,404</u>	<u>\$ 1,478,813</u>	<u>\$ 215,200</u>	<u>\$ 30,381</u>
39	TOTAL RUCO ADJUSTMENT (See RLM-13, pg 2, Column (B), Line 9 Above)				<u>\$ 2,098,797</u>

References:

Allocation Factors - As Provided By Co. Except For Paradise Valley, Which Were Estimated From 2001 Annual Report

Allocation Amounts - Calculated Using Same Methodology As Company

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D  
PROJECTED CORPORATE OVERHEAD

LINE NO.	DESCRIPTION	(A) CATEGORY	(B) COMPANY AS FILED	(C) RUCO AS ADJUSTED	(D) DIFFERENCE
1	Directors Fees	MISC	\$ 6,000	\$ 8,500	\$ 2,500
2	Bank Service Charges	OFFICE	29,863	124,896	95,033
3	Bill Insert	OFFICE	29,703	35,304	5,601
4	Collection Agencies	OFFICE	870	6,673	5,803
5	Forms AG	OFFICE	17,074	13,051	(4,023)
6	Advertising (Required Notification)	OFFICE	230,287	130,698	(99,589)
7	Brochures And Handouts	OFFICE	2,502	834	(1,668)
8	Community Relations	OFFICE	7,730	6,662	(1,068)
9	Postage	OFFICE	329,952	125,443	(204,509)
10	Group Insurance	OFFICE	622,145	587,410	(34,735)
11	Incentive Plan Expenses	EMP. BENFITS	226,620	21,252	(205,368)
12	PBOP Operations AG	EMP. BENFITS	341,502	16,737	(324,765)
13	Workman Compensation	EMP. BENFITS	(19,061)	(3,359)	15,702
14	Dues Deducted	EMP. BENFITS	3,612	13,660	10,048
15	Dues Non-Deducted	EMP. BENFITS	2,705	5,052	2,347
16	Dues-Membership Deducted	EMP. BENFITS	-	2,959	2,959
17	Employee Expenses AG	EMP. BENFITS	115,234	60,267	(54,967)
18	Employee Exp Conference-Registration	EMP. BENFITS	24,595	15,666	(8,929)
19	Meals And Travel Deducted	EMP. BENFITS	39,758	20,433	(19,325)
20	Meals And Travel Non-Deduct	EMP. BENFITS	-	13,037	13,037
21	Other Welfare Operations	EMP. BENFITS	6,495	19,906	13,411
22	Employee Awards	EMP. BENFITS	252	1,144	892
23	Employee Physical Exams	EMP. BENFITS	1,842	716	(1,126)
24	Tuition Aid	EMP. BENFITS	29,515	15,528	(13,987)
25	Training	EMP. BENFITS	24,818	28,944	4,126
26	401K	EMP. BENFITS	74,501	61,288	(13,213)
27	ESOP	EMP. BENFITS	91,759	81,175	(10,584)
28	Trustee Fees	MISC	17,058	21,881	4,823
29	Credit Line Fees	OFFICE	8,347	24,728	16,381
30	Insurance General Liability	INS	41,335	77,430	36,095
31	Security Services	OFFICE	637,500	423,114	(214,386)
32	Insurance Other	INS	217,401	137,770	(79,631)
33	Company Dues-Membership Deduct	N/A	16,178	4,422	(11,756)
34	Company Dues-Membership Non-deducted	N/A	36,108	2,846	(33,262)
35	Company Dues-Membership AWWA Ded.	N/A	882	495	(387)
36	Company Dues-Membership AWWA Non	N/A	1,947	649	(1,298)
37	Company Dues-Membership Non-Deducted	N/A	-	18,075	18,075
38	Charitable Contribution Deducted	N/A	3,500	2,075	(1,425)
39	Charitable Contribution Non-Deduct	N/A	800	200	(600)
40	Property Taxes	N/A	2,093,652	1,648,841	(444,811)
41	Business Services-Project Expense	N/A	-	390,309	390,309
42	Pcard Undistributed	N/A	-	39,882	39,882
43	Water Reservoir Conservation	N/A	-	4,001	4,001
44	Pension Operation AG	N/A	-	5,499	5,499
45	TOTAL		<u>\$ 5,314,981</u>	<u>\$ 4,216,091</u>	<u>\$ (1,098,890)</u>

References:

Columns (A) (C): Company Response To RUCO Third Data Request  
Column (B): Company As Filer  
Column (D): Column (C) - Column (B)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10  
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
<b>FEDERAL INCOME TAXES:</b>			
1	Operating Income Before Taxes	Sch. RLM-6, Col. (C), L25 + L23	\$ 47,527
	LESS:		
2	Arizona State Tax	Line 11	930
3	Interest Expense	Note (A) Line 19	34,184
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 12,413
5	Federal Tax Rate	Sch. RLM-1, Page 2, Col. (D), L34	15.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 1,862
<b>STATE INCOME TAXES:</b>			
7	Operating Income Before Taxes	Line 1	\$ 47,527
	LESS:		
8	Interest Expense	Note (A) Line 19	34,184
9	State Taxable Income	Line 7 - Line 8	\$ 13,343
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 930
<b>TOTAL INCOME TAX EXPENSE:</b>			
12	Federal Income Tax Expense	Line 6	\$ 1,862
13	State Income Tax Expense	Line 11	930
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 2,792
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(28,505)
16	Total Income Tax Adjustment (See Sch. RLM 6, Col. (B), L23)	Line 14 - Line 15	\$ 31,297
<b>NOTE (A):</b>			
Interest Synchronization:			
17	Adjusted Rate Base (Sch. RLM-3, Col. (E), L16)	\$ 1,172,012	
18	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	2.92%	
19	Interest Expense (L17 X L18)	\$ 34,184	

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	(A) CAPITAL'TION PER COMPANY	(B) RUCO ADJ'TS	(C) RUCO ADJUSTED CAPITAL'TION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Long-Term Debt	\$ 165,583,119	\$ 0	\$ 165,583,119	59.89%	4.87%	2.92%
2	Common Equity	\$ 110,888,158	\$ 0	\$ 110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITAL	<u>\$ 276,471,277</u>	<u>\$ 0</u>	<u>\$ 276,471,277</u>	<u>100.00%</u>		
4	COST OF CAPITAL						<u>6.57%</u>

References:

Column (A): Staff Data Request Nos. JMR 8-3 And JMR 8-4  
Column (B): Testimony, WAR  
Column (C): Column (A) + Column (B)  
Column (D): Column (C), Line Item / Total Capital (L5)  
Column (E): Testimony, WAR  
Column (F): Column (D) X Column (E)

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES**

LINE NO.	DESCRIPTION	(A)	(B)	(C)
		PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
MONTHLY MINIMUM USAGE CHARGE:				
1	5/8 X 3/4 - Inch	\$ 15.35	\$ 28.58	\$ 15.00
2	3/4 - Inch	15.35	28.58	15.00
3	1 - Inch	23.00	42.83	22.48
4	1 1/2 - Inch	46.00	85.66	44.96
5	2 - Inch	76.00	141.52	74.28
6	3 - Inch	90.00	167.59	87.96
7	4 - Inch	132.00	245.79	129.00
8	6 - Inch	180.00	335.17	175.91
9	8 - Inch	N/A	2,858.00	1,500.00

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES - ALL METERS (Per 1,000 Gallons):**

10	Tier 1 (0 to 8,000 Gallons)	\$ 1.66	\$ 3.09	\$ 2.13
11	Tier 2 (Above 8,001 Gallons)	2.04	3.79	2.61

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

**RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES CONT'D**

LINE NO.	DESCRIPTION	(A) PRESENT RATES		(B)	(C)
		Service Line	Meter	COMPANY PROPOSED	RUCO PROPOSED
SERVICE LINE AND METER INSTALLATION CHARGES:					
1	5/8 X 3/4 - Inch Meter	\$ 255.00	\$ 65.00	\$ 500.00	\$ 500.00
2	3/4 - Inch Meter	255.00	105.00	575.00	575.00
3	1 - Inch Meter	275.00	145.00	660.00	660.00
4	1 1/2 - Inch Meter	290.00	345.00	900.00	900.00
5	2 - Inch Meter	315.00	775.00	2,220.00	2,220.00
6	3 - Inch Meter	Cost	Cost	Cost	Cost
7	4 - Inch Meter	Cost	Cost	Cost	Cost
8	6 - Inch Meter	Cost	Cost	Cost	Cost
9	8 - Inch Meter	Cost	Cost	Cost	Cost
10	Meters Larger Than 8 - Inches	Cost	Cost	Cost	Cost
SERVICE CHARGES:					
11	Establishment Of Service		\$ 30.00	\$ 50.00	\$ 50.00
12	Establishment Of Service (After Hours)		40.00	60.00	60.00
13	Re-Connection (Delinquent)		N/A	N/A	N/A
14	Re-Connection (after Hours)		N/A	N/A	N/A
15	Meter Test Fee (If Correct)		10.00	10.00	10.00
16	Deposit			As Per ACC R14-2-403.B	
17	Deposit Interest			As Per ACC R14-2-403.B	
18	Re-Establishment - (Within 12 Months)	Monthly Minimum Times	Months Disconnected	As Per ACC R14-2-403.D	
19	NSF Charge (Per Month)		10.00	10.00	10.00
20	Deferred Payment		1.50%	1.50%	1.50%
21	Meter Re-Read - (If Correct)		5.00	5.00	5.00
22	Meter Moved - Customer Requested		Cost	Cost	Cost
23	Late Payment Charge		1.50%	1.50%	1.50%
24	Damages To Locks, Valves, Seals		Cost	Cost (Plus \$40)	Cost (Plus \$40)

**GROUNDWATER WITHDRAWAL ASSESSMENT**

Groundwater Withdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes In  
Rates Charged By The Arizona Department Of Water Resources.  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

All Advances (AIAC) And/Or Contributions (CIAC) Are To Include Labor, Materials, Overhead,  
And All Applicable Taxes, Including All Gross-Up Taxes For Income Taxes

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Testimony, RLM

**PROOF OF RECOMMENDED REVENUE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 X 3/4 - Inch	\$ 15.00	5,484	\$ 82,260
2	3/4 - Inch	15.00	0	0
3	1 - Inch	22.48	348	7,823
4	1 1/2 - Inch	44.96	36	1,618
5	2 - Inch	74.28	36	2,674
6	3 - Inch	87.96	19	1,671
7	4 - Inch	129.00	0	0
8	6 - Inch	175.91	0	0
9	8 - Inch	1,500.00	0	0
10	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>5,923</u>	<u>\$ 96,046</u>
NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE				
<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>				
11	Tier 1 (0 to 8,000 Gallons)	\$ 2.130135	34,288,180	\$ 73,038
12	Tier 2 (Above 8,001 Gallons)	2.61	47,019,829	122,848
13	Effluent Sales (Per Acre Foot)	0.00	0	0
14	CAP - Raw Water (Per 1,000 Gallons)	0.00	0	0
15	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>81,308,009</u>	<u>\$ 195,887</u>
16	Unmetered Revenue			0
17	Other Revenue			2,691
18	Difference Between Bill Count And Revenue As Recorded			674
19	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 295,298</u></u>
20	Required Revenue (As Per Schedule RLM-1, Pg 1, Col (D), L10)			295,298
21	Difference			<u><u>\$ 0</u></u>

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

**References:**

Column (A): RLM-17, Page 1, Column (C)  
Column (B): Response To RUCO Data Request No. 1.04  
Column (C): Columns (A) X (B)

**TYPICAL BILL ANALYSIS**  
**RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED</b>						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	13,177	\$39.19	\$72.92	\$33.73	86.06%
2	Median	7,535	\$27.86	\$51.86	\$24.00	86.17%

**RUCO PROPOSED**

3	Average	13,177	\$39.19	\$45.57	\$6.38	16.27%
4	Median	7,535	\$27.86	\$31.05	\$3.19	11.46%

5 Average Number Of Customers: 401

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company Prop'd Rates	% Increase	RUCO Prop'd Rates	% Increase
6	0	\$15.35	\$28.58	86.2%	\$15.00	-2.3%
7	1,000	17.01	31.67	86.2%	17.10	0.5%
8	2,000	18.67	34.76	86.2%	19.20	2.8%
9	3,000	20.33	37.85	86.2%	21.30	4.8%
10	4,000	21.99	40.94	86.2%	23.40	6.4%
11	5,000	23.65	44.03	86.2%	25.50	7.8%
12	6,000	25.31	47.12	86.2%	27.60	9.1%
13	7,000	26.97	50.21	86.2%	29.70	10.1%
14	8,000	28.63	53.30	86.2%	31.81	11.1%
15	9,000	30.67	57.09	86.1%	34.38	12.1%
16	10,000	32.71	60.88	86.1%	36.96	13.0%
17	15,000	42.91	79.83	86.0%	49.84	16.2%
18	20,000	53.11	98.78	86.0%	62.72	18.1%
19	25,000	63.31	117.73	86.0%	75.61	19.4%
20	50,000	114.31	212.48	85.9%	140.02	22.5%
21	75,000	165.31	307.23	85.9%	204.43	23.7%
22	100,000	216.31	401.98	85.8%	268.85	24.3%
23	125,000	267.31	496.73	85.8%	333.26	24.7%
24	150,000	318.31	591.48	85.8%	397.67	24.9%
25	175,000	369.31	686.23	85.8%	462.09	25.1%
26	200,000	420.31	780.98	85.8%	526.50	25.3%

1 charged to member banks) from 5.73 percent in 2000, to its present level  
2 of only 2.00 percent. The federal discount rate has declined by three  
3 hundred and fifty basis points since January 2001 when it stood at 5.50  
4 percent.

5  
6 Q. What has been the trend in other leading interest rates over the last year?

7 A. As of the final week of July 2003, all of the leading interest rates have  
8 declined. The prime rate has fallen from 4.75 percent a year ago to a  
9 current level of 4.00 percent. The benchmark federal funds rate, just  
10 discussed, has dropped from 1.75 percent, in July 2002, to its current level  
11 of 1.00 percent. The yields on all maturities of U.S. Treasury instruments  
12 have declined over the past year. The 91-day T-bill rate, used in my  
13 CAPM analysis, has declined from 1.68 percent, in July 2002, to 0.91  
14 percent, as has the One-Year Treasury Constant Maturity rate, which has  
15 dropped from 1.89 percent to 1.11 percent.

16  
17 Q. How much more room does the Fed have for cutting interest rates?

18 A. In the months before the Fed's most recent rate cut move, Chairman  
19 Greenspan made it clear that the Fed had other tools at its disposal to  
20 boost the economy other than cutting its key interest rate, such as  
21 purchasing long-term U.S. Treasury Instruments. As has been reported in  
22 the mainstream financial press, Chairman Greenspan is now more

1 concerned with deflation as opposed to inflation. In a deflationary  
2 environment, falling prices in goods and service force employers to layoff  
3 employees as part of their cost-cutting measures to remain competitive in  
4 the marketplace (a situation that existed during the great depression of the  
5 1930's). Theoretically speaking, the inflationary outlook at the present  
6 time could more appropriately be described as the deflationary outlook.  
7 Using the example that I provided earlier, when the true rate of interest of  
8 2.00 percent is subtracted from the 0.90 percent yield of the 91-day T-Bill  
9 rate, used in my CAPM analysis, the inflationary outlook is a negative 1.10  
10 percent.

11  
12 Q. How have analysts viewed the Fed's recent rate-cutting actions and the  
13 economy in general?

14 A. Economists at the major money center banks serving Arizona have  
15 remained upbeat about the economy and the Fed's actions since January  
16 of 2002. In his "Economic Brief" dated June 30, 2003, Bank of America  
17 Chief Economist Mickey Levy forecasted for 3.00 percent to 3.25 percent  
18 in annualized growth for the last half of 2003. In its "Selection & Opinion"  
19 update dated July 4, 2003, Value Line stated their analysts believed that  
20 the Fed's last interest rate cut will "energize the economy. " Value Line's  
21 analysts have consistently reiterated their belief that the Fed's recent  
22 actions on the interest rate front will result in a period of moderate

1 economic growth and low inflation. Value Line's analysts do not appear to  
2 share Chairman Greenspan's fears regarding deflation. Sung Won Sohn,  
3 the chief economist for Wells Fargo Bank, has even stated that mild  
4 deflation may even be good for the equity markets. Reactions from  
5 economists since the Fed's August 12<sup>th</sup> decision to leave interest  
6 unchanged appear to be favorable in regard to the economic recovery and  
7 less anxious in regard to deflation. Despite a recent upturn in the yields of  
8 long-term Treasury instruments, Wells Fargo's Sohn has gone on the  
9 record as stating that he expected Treasury rates to be more stable in the  
10 foreseeable future.

11  
12 Q. How would utilities such as Arizona-American fare in a deflationary  
13 environment?

14 A. Regulated public utilities would more than likely fare well in such an  
15 environment. This is because utility rates would be immune to the same  
16 economic pressures forcing the prices of competitive goods and services  
17 down. Utility stocks would probably be extremely attractive to investors  
18 since lower prices on the goods and services purchased by utilities would  
19 result in higher earnings expectations and stable, possibly even increased,  
20 rates of return from dividend payouts.

1 Q. Please summarize how the economic data just presented relates to  
2 Arizona-American.

3 A. Summarizing this information, as it relates to Arizona-American, the  
4 current low, or for that matter nonexistent, rate of inflation translates into  
5 stable and even possibly declining prices for goods and services, which in  
6 turn means that Arizona-American can expect its present operating  
7 expenses to either remain stable or possibly decline in the coming years.  
8 Lower interest rates would also benefit Arizona-American in regard to the  
9 Company's short and long-term borrowing needs. Lower interest rates,  
10 would further help to accelerate growth in new construction projects and  
11 home developments in the Company's service territories, and may result  
12 in new revenue streams to Arizona-American.

13  
14 Q. After weighing the economic information that you've just discussed, do you  
15 believe that your 6.79 percent to 9.11 percent estimated cost of equity  
16 capital is reasonable for Arizona-American?

17 A. I believe that my estimate of equity costs will provide Arizona-American  
18 with a reasonable rate of return on the Company's invested capital when  
19 economic data on lower interest rates, continued growth in construction,  
20 and the low and stable outlook for inflation are all taken into consideration.  
21 As I noted earlier, the Hope decision determined that a utility is entitled to  
22 earn a rate of return that is commensurate with the returns it would make

1 on other investments with comparable risk. I believe that my DCF  
2 analysis has produced such a return. The results that I have obtained are  
3 consistent with Value Line's view that water utility stocks are likely to  
4 appeal to conservative investors who seek steady earnings growth and  
5 good dividend yield. In Value Line's opinion, water utilities, such as  
6 Arizona-American, which face little to no competition in their geographic  
7 service areas, are the nation's last pure monopolies (hence low risk  
8 resulting in lower returns on investment).

9  
10 **COST OF DEBT**

11 Q. Have you accepted the Company's 3.04 percent cost of long-term debt?

12 A. No. Based on information obtained through data requests and  
13 conversations with the Company's cost of debt witness, I have arrived at a  
14 higher 4.87 percent cost of debt.

15  
16 Q. What is the main reason for the difference between your recommended  
17 cost of debt and the cost of debt recommended by the Company's  
18 witness?

19 A. Based on my review of the Company's Schedule D-2, it appears that the  
20 Company witness has double-weighted the costs of the debt instruments  
21 that financed Test Year assets, thus resulting in a recommended cost of

1 debt that is understated. My calculation of the Company's Test Year cost  
2 of debt can be viewed in Schedule WAR-2.

3  
4 **CAPITAL STRUCTURE**

5 Q. Have you reviewed Arizona-American's testimony regarding the  
6 Company's proposed capital structure?

7 A. Yes, I have.

8  
9 Q. Please describe the Company's proposed capital structure.

10 A. The Company-proposed (actual and adjusted) Test Year capital structure,  
11 which allocates total Company debt and equity on a percentage basis in  
12 the revised Schedule D-1 of Arizona-American's Application, is comprised  
13 of 59.89 percent long-term debt and 40.11 percent in common equity. The  
14 Company's projected 2002 capital structure is comprised of 60.0 percent  
15 long-term debt and 40.0 percent in common equity.

16  
17 Q. What capital structure are you proposing for Arizona-American?

18 A. My proposed capital structure, displayed in Schedule WAR-1, is  
19 comprised of the same 59.89 percent in long-term debt and 40.11 percent  
20 in common equity that has been proposed by the Company. In keeping  
21 with RUCO's belief that all ratemaking elements should be matched to  
22 their recorded test year levels (in this case the period ended December

1 31, 2001) I have used the balances of debt and equity that were recorded  
2 on the Company's books at the end of 2001.

3  
4 Q. How does your recommended cost of equity capital compare with the cost  
5 of equity capital proposed by the Company?

6 A. The 11.50 percent cost of equity capital, based on the actual and adjusted  
7 Test Year capital structure, proposed by the Company is 239 basis points  
8 higher than the 9.11 percent cost of equity capital that I am  
9 recommending. This is also true for the Company's projected 2002 capital  
10 structure.

11  
12 Q. How does the Company's proposed weighted cost of capital compare with  
13 your recommendation?

14 A. The Company has proposed a weighted cost of capital of 7.65 percent for  
15 the Test Year. This composite figure is the result of a weighted average of  
16 Arizona-American's proposed 3.04 percent cost of long-term debt and the  
17 11.50 percent cost of equity capital cited earlier. The Company-proposed  
18 7.65 percent weighted cost of capital is 108 basis points higher than the  
19 6.57 percent weighted cost that I am recommending. The Company's  
20 weighted cost of capital of 7.75 percent for the projected 2002 period is  
21 118 basis points higher than my recommended 6.57 percent weighted  
22 cost of capital.

1 Q. Is Arizona-American's capital structure in line with industry averages?

2 A. Yes. Arizona-American's capital structure is line with the utilities that were  
3 included in my sample (Schedule WAR-10). The capital structures for  
4 those utilities averaged 59.9 percent for debt (7.8 percent short-term debt  
5 + 52.1 percent long-term debt) and 40.1 percent for equity (0.2 percent  
6 preferred equity + 39.9 percent common equity).

7  
8 Q. In terms of risk, how does Arizona-American's capital structure compare to  
9 the water utilities in your sample?

10 A. Arizona-American would be considered as having about the same level of  
11 financial risk (i.e. the risk associated with debt repayment) as the  
12 companies included in my sample. Since financial risk (due to debt  
13 leverage) is embedded in the cost of equity capital derived for those  
14 companies through the DCF analysis, the cost of equity derived in my  
15 DCF analysis is applicable to companies that are leveraged, like Arizona-  
16 American, and, theoretically speaking, have the same level of risk that a  
17 utility with a level of debt similar to Arizona-American's would have. In the  
18 case of a publicly-traded company, such as those included in my proxy, a  
19 company with Arizona-American's level of debt would be perceived as  
20 having about the same level of financial risk and would therefore also  
21 have a similar expected return on common equity.

22

1 Q. Have you made an adjustment to your DCF estimate based on any  
2 perceptions of financial risk?

3 A. No, I have not. As I just stated, Arizona-American would be perceived as  
4 having the same level of financial risk as the companies included in my  
5 sample and would therefore have a similar expected return on common  
6 equity.

7  
8 **COMMENTS ON ARIZONA-AMERICAN'S COST OF EQUITY CAPITAL**  
9 **TESTIMONY**

10 Q. Please describe Arizona-American's cost of equity capital testimony.

11 A. Arizona-American's cost of equity capital testimony was prepared by Dr.  
12 Thomas M. Zepp. Dr. Zepp's testimony offers his rationale as to why  
13 Arizona-American's authorized rate of return should be applied to a fair  
14 value rate base ("FVRB") as opposed to an original cost rate base  
15 ("OCRB") and his reasons why Arizona-American is riskier than his  
16 sample of publicly-traded utilities. Dr. Zepp presents the results of his  
17 DCF, risk premium, and CAPM analyses. Dr. Zepp also presents the  
18 results of an internal rate of return analysis on Middlesex Water and  
19 Connecticut Water Service, which, in his opinion, supports his estimated  
20 cost of equity range for Arizona-American.

1 Q. Are there portions of the cost of equity capital testimony presented by the  
2 Company that you would like to comment on?

3 A. Yes. I would like to comment on Dr. Zepp's opinions regarding Arizona's  
4 practice of applying a rate of return to FVRB and to discuss the  
5 methodologies used to calculate the Company-proposed cost of equity  
6 capital and the factors on which Dr. Zepp is relying on in support of a risk  
7 premium.

8  
9 **Fair Value Rate Base**

10 Q. Please comment on Dr. Zepp's opinions regarding the Arizona  
11 Constitution requiring the ACC to set rates based on a finding of fair value.

12 A. For reasons that are discussed in greater detail in the testimony of RUCO  
13 witness Diaz Cortez, the Commission should not place any weight on the  
14 opinions expressed by Dr. Zepp in regard to the establishment of rates  
15 that provide a rate of return on a utility's assets current value, as a basis  
16 for FVRB, as opposed to a utility's assets OCRB. In short, RUCO  
17 believes that a dangerous precedent would be set if the Commission  
18 adopted such a policy, since it would open the door for the potential  
19 restatement of all of the rate bases that Arizona investor-owned utilities  
20 currently earn a rate of return on. This in turn would result in unwarranted  
21 and unprecedented increases in rates for Arizona customers who would  
22 be paying more for the same assets that have been providing service to

1           them simply because the value of the assets have been restated to reflect  
2           current costs.

3  
4   **Comparison of Methods**

5   Q.    What methodology did Arizona-American use to determine its proposed  
6           cost of equity capital?

7   A.    The Company's consultant, Dr. Thomas M. Zepp, used three methods for  
8           determining a cost of equity capital: the DCF, a risk premium method  
9           (which I have not used) and the CAPM.

10  
11   Q.    Please compare Dr. Zepp's DCF results and the results of your DCF  
12           analysis.

13   A.    Dr. Zepp's DCF analysis derived an estimated cost of equity capital for  
14           sample water and gas utilities that ranged from 11.10 percent to 11.50  
15           percent, which is 199 to 239 basis points higher than the 9.11 percent  
16           result derived from my DCF analysis. Dr. Zepp's estimated equity costs  
17           for Arizona-American ranged from 11.70 percent to 12.10 percent or 259  
18           to 299 basis points higher than my 9.11 percent recommended cost for  
19           equity capital. Dr. Zepp's 11.70 to 12.10 percent range for Arizona-  
20           American is based on his belief that a 60 basis point risk adjustment is  
21           warranted for Arizona-American because of the financial risk that the  
22           Company faces. The Company-proposed 11.50 percent cost of common

1 equity, exhibited in Schedule D-1 of Arizona-American's Application, is  
2 based on Dr. Zepp's recommendation that the Commission adopt a cost of  
3 equity that is no less than 11.50 percent.

4  
5 Q. Do you agree with the results of Dr. Zepp's DCF analysis?

6 A. No, I do not. In my opinion, Dr. Zepp's methodology for calculating a  
7 growth component relies too much on the projections of Value Line  
8 analysts for the 2006 – 2008 operating period. This produces results that  
9 are somewhat inflated in my opinion.

10  
11 Q. Please compare the results of Dr. Zepp's CAPM analysis with the results  
12 of your CAPM analysis.

13 A. Dr. Zepp's CAPM analysis produced an expected rate of return that  
14 ranged from 9.90 percent to 13.0 percent. Dr. Zepp then added an  
15 additional 60 basis points, based on his opinion that Arizona-American  
16 faces higher financial risk, to arrive at a range of 10.5 percent to 13.60  
17 percent.

18 When compared to the 6.79 percent result of my CAPM analysis using a  
19 market risk premium based on a geometric mean, Dr. Zepp's unadjusted  
20 range is 311 to 621 basis points higher. When compared to the 8.06  
21 percent result of my CAPM analysis using a market risk premium based

1 on an arithmetic mean, Dr. Zepp's unadjusted range is 184 to 494 basis  
2 points higher.

3  
4 Q. Do you agree with Dr. Zepp's 60 basis point adjustment for Arizona-  
5 American based on increased financial risk?

6 A. No. As I explained earlier in my testimony, Arizona-American's capital  
7 structure is almost identical to the average capital structure of my sample  
8 companies. Consequently, there is no need for any adjustment for higher  
9 financial risk.

10  
11 Q. What is the difference between your CAPM analysis and Dr. Zepp's  
12 CAPM analysis?

13 A. Although there is little difference between the average beta coefficient that  
14 Dr. Zepp and I use (his 0.62 versus my 0.63), and a 110 basis point  
15 difference between his market risk premium of 12.40 percent versus my  
16 11.30 percent using an arithmetic mean to calculate the return on the  
17 market (market risk premium =  $r_m - r_f = 12.20\% - 0.90\% = \underline{11.30\%}$ ), Dr.  
18 Zepp has chosen to use the 5.30 percent return on a long-term Treasury  
19 instrument for a risk-free asset as opposed to the 91-day T-Bill rate that I  
20 have used.

1 Q. Do you agree with Dr. Zepp's use of a long-term Treasury yield for the risk  
2 free asset in the CAPM model?

3 A. No I do not. As I explained earlier in my testimony, the 91-day T-Bill rate  
4 represents the lowest possible total risk to an investor and therefore more  
5 closely fits the definition of a risk free asset.

6  
7 **Other Risk Factors**

8 Q. Does Dr. Zepp cite other factors that justify a risk premium for Arizona-  
9 American?

10 A. Dr. Zepp cited the U.S. Environmental Protection Agency's revised arsenic  
11 standard and the fact that Arizona uses an historic test year to set rates,  
12 however, his 60 basis point adjustment was based on his belief that  
13 Arizona-American was more leveraged than the other utilities in his  
14 sample.

15  
16 Q. Please respond to the risks posed to Arizona-American due to revised  
17 arsenic standards for drinking water that are being proposed by the U.S.  
18 Environmental Protection Agency ("EPA").

19 A. A decision is now pending before the Commission on a standardized  
20 arsenic recovery mechanism. At this point in time, it is almost a near  
21 certainty that the Commission will approve a mechanism that will allow  
22 water providers to recover the costs associated with the EPA's revised

1        arsenic standard of 10 parts per billion. Given this fact, any additional  
2        return on investment because of the EPA's revised arsenic standard  
3        would not be warranted for Arizona-American or any other water utility  
4        operating in Arizona.

5  
6        Q.    Do you agree that Arizona is a riskier jurisdiction to operate in because of  
7        the Commission's adherence to the historical test year concept?

8        A.    No. The Commission has always made allowances for known and  
9        measurable changes to historic test year operating results. Because of  
10       this, there is no reason for any additional return on investment. In my  
11       view, it is important to remember that one of the main arguments for future  
12       and projected test years was the volatile inflationary environment that  
13       utilities once operated in. Given the current economic environment of low  
14       inflation, coupled with the projections for low stable interest rates and low,  
15       even falling, prices that I noted earlier in my testimony, the continued use  
16       of the historical test year approach to setting rates does not add any  
17       additional risk for a utility operating in the Arizona jurisdiction.

18  
19       Q.    Please discuss risk in the context of the Company's regulatory climate in  
20       Arizona.

21       A.    The regulatory climate that a utility must operate in has always been  
22       considered as a potential source of risk when determining the rate of

1 return that a utility is entitled to. In my opinion, the regulatory climate that  
2 Arizona-American is operating in has never been more favorable to water  
3 utilities. As I noted earlier, the Commission is presently on the verge of  
4 approving a recovery mechanism that will allow water providers in Arizona  
5 the ability to pass through the costs that are related to the removal of  
6 arsenic in order to meet the EPA's revised 10 parts per billion standard.  
7 Over the past seven years, the federal reauthorization of the Safe Drinking  
8 Water Act ("SDWA") has provided federal funds from which a state  
9 revolving fund has been established. The fund, administered in Arizona  
10 by the Water Infrastructure Finance Authority ("WIFA"), has been set up to  
11 provide low interest rate loans to water utilities that want to make  
12 improvements to their systems. Unlike other states, such as Indiana,  
13 which has in the past, exercised its discretionary power to limit the  
14 distribution of that state's share of federal monies to public systems only,  
15 Arizona has encouraged both public and investor-owned systems like  
16 Arizona-American to apply for WIFA loans. Although an Arizona-based  
17 water provider might not wish to take advantage of loans offered by WIFA  
18 (for whatever reasons decided on by the water provider's management)  
19 that does not change the fact that low interest financing is available to the  
20 water provider through the WIFA program. The ADEQ's Monitoring  
21 Assistance Program ("MAP") is also now in place to aid water utilities on  
22 their water testing needs.

1 Q. Can you cite any recent events that would support your claim that Arizona  
2 is a favorable jurisdiction for water utilities?

3 A. Yes. The fact that RWE AG acquired Arizona-American, the subject of  
4 this proceeding, and American States Water Co. ("American States"), one  
5 of the firms included in my proxy, acquired Chaparral City Water Company  
6 in Fountain Hills. The American States acquisition is noteworthy since it  
7 marked the first time that American States had acquired a system outside  
8 of California. Southwest Gas recently expanded its operations in Arizona  
9 by acquiring Black Mountain Gas and UniSource Energy acquired the  
10 electric and gas operations of Citizens Communications. I don't believe  
11 that any of these public utility holding companies would have expanded in  
12 Arizona if they believed they were going to have to face a harsh regulatory  
13 climate.

14  
15 Q. Are there any final remarks that you would like to make regarding your  
16 recommended cost of capital for Arizona-American?

17 A. Yes. I would like to reiterate my firm belief that the water utilities (with  
18 betas in the 0.60 to 0.70 range) that were included in my DCF and CAPM  
19 sample fit the Hope decision definition of "other investments with  
20 comparable risk." I further believe that the utilities included in my sample  
21 closely resemble Arizona-American in terms of both an operating and risk  
22 standpoint.

1 Q. Does your silence on any of the issues, matters or findings addressed in  
2 the testimony of Dr. Zepp or any other witness for Arizona-American  
3 constitute your acceptance of their positions on such issues, matters or  
4 findings?

5 A. No, it does not.

6

7 Q. Does this conclude your testimony on Arizona-American's Eastern Group?

8 A. Yes, it does.

**Qualifications of William A. Rigsby**

**EDUCATION:**

University of Phoenix  
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University  
College of Business  
Bachelor of Science, Finance, 1990

Mesa Community College  
Associate of Applied Science, Banking and Finance, 1986

Michigan State University  
Institute of Public Utilities  
N.A.R.U.C. Annual Regulatory Studies Program, 1997 & 1999

Florida State University  
Center for Professional Development & Public Service  
N.A.R.U.C. Annual Western Utility Rate School, 1996

**EXPERIENCE:**

Public Utilities Analyst V  
Residential Utility Consumer Office  
Phoenix, Arizona  
April 2001 – Present

Senior Rate Analyst  
Accounting & Rates - Financial Analysis Unit  
Arizona Corporation Commission, Utilities Division  
Phoenix, Arizona  
July 1999 – April 2001

Senior Rate Analyst  
Residential Utility Consumer Office  
Phoenix, Arizona  
December 1997 – July 1999

Utilities Auditor II and III  
Accounting & Rates – Revenue Requirements Analysis Unit  
Arizona Corporation Commission, Utilities Division  
Phoenix, Arizona  
October 1994 – November 1997

Revenue Auditor II  
Arizona Department of Revenue  
Corporate Income Tax Audit Unit  
Phoenix, Arizona  
November 1993 – October 1994

Tax Examiner Technician I  
Arizona Department of Revenue  
Transaction Privilege Tax Audit Unit  
Phoenix, Arizona  
July 1991 – November 1993

**RESUME OF RATE CASE AND REGULATORY PARTICIPATION**

<b><u>Utility Company</u></b>	<b><u>Docket No.</u></b>	<b><u>Type of Proceeding</u></b>
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

**RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)**

<b><u>Utility Company</u></b>	<b><u>Docket No.</u></b>	<b><u>Type of Proceeding</u></b>
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

ARIZONA-AMERICAN WATER COMPANY  
DOCKET NO. W-01303A-02-0867 ET AL.  
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WAR - 2	COST OF DEBT
WAR - 3	DCF COST OF EQUITY CAPITAL
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WAR - 5	DIVIDEND GROWTH RATE CALCULATION
WAR - 6	DIVIDEND GROWTH COMPONENTS
WAR - 7	GROWTH RATE COMPARISON
WAR - 8	CAPM COST OF EQUITY CAPITAL
WAR - 9	ECONOMIC INDICATORS - 1990 TO PRESENT
WAR - 10	CAPITAL STRUCTURES OF PUBLICLY TRADED WATER COMPANIES

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
COST OF CAPITAL SUMMARY

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 1

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	LONG-TERM DEBT	\$ 165,583,119	\$ -	\$ 165,583,119	59.89%	4.87%	2.92%
2	COMMON EQUITY	110,888,158	-	110,888,158	40.11%	9.11%	3.65%
3	TOTAL CAPITALIZATION	\$ 276,471,277	\$ -	\$ 276,471,277	100.00%		

4 COST OF CAPITAL

6.57%

REFERENCES:

COLUMN (A): ACC STAFF D.R. NO. JMR 8-3 AND JMR 8-4  
COLUMN (B): TESTIMONY, WAR  
COLUMN (C): COLUMN (A) + COLUMN (B)  
COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5  
COLUMN (E): TESTIMONY, WAR  
COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
COST OF DEBT

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 2

LINE NO.	DESCRIPTION	(A) TEST YEAR AMOUNT	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED	(D) LONG-TERM DEBT RATIO	(E) COST OF DEBT	(F) WEIGHTED COST
1	L-T NOTE (MARICOPA COUNTY) DUE SEPTEMBER 1, 2028	\$ 10,635,000	\$ -	\$ 10,635,000	6.42%	4.17%	0.27%
5	L-T PROMISSORY NOTE DUE NOVEMBER 6, 2006	154,948,119	-	154,948,119	93.58%	4.92%	4.60%
6	TOTAL LONG-TERM DEBT	\$ 165,583,119	\$ -	\$ 165,583,119	100.00%		4.87%

REFERENCES:

COLUMN (A): RUCO D.R. NO. 5.1  
COLUMN (B): TESTIMONY, WAR  
COLUMN (C): COLUMN (A) + COLUMN (B)  
COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 6  
COLUMN (E): ACC D.R. NO. JMR 8-3 AND JMR 13-3  
COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.25%	+	4.70%	=	7.95%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.83%	+	4.31%	=	8.14%
3	PSC	PHILADELPHIA SUBURBAN CORP.	2.33%	+	8.91%	=	11.24%
4	WATER COMPANY AVERAGE						9.11%

REFERENCES:

COLUMN (A): SCHEDULE WAR - 4, COLUMN C  
COLUMN (B): SCHEDULE WAR - 5, PAGE 1, COLUMN C  
COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
DIVIDEND YIELD CALCULATION

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 4

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	÷	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	\$0.88	÷	\$27.19	=	3.25%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.12	÷	29.35	=	3.83%
3	PSC	PHILADELPHIA SUBURBAN CORP.	0.56	÷	24.07	=	2.33%
4	WATER COMPANY AVERAGE						3.14%

REFERENCES:

COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - SUMMARY AND INDEX DATED 08/01/03.  
COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 06/19/03 TO 08/01/03  
STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE -  
HISTORICAL QUOTES ([www.bigcharts.com](http://www.bigcharts.com)).  
COLUMN (C): COLUMN (A) ÷ COLUMN (B)

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
2	AWR	AMERICAN STATES WATER CO.	4.60%	+	0.10%	=	4.70%
3	CWT	CALIFORNIA WATER SERVICE GROUP	3.75%	+	0.56%	=	4.31%
4	PSC	PHILADELPHIA SUBURBAN CORP.	7.00%	+	1.91%	=	8.91%
5		WATER COMPANY AVERAGE					5.97%

REFERENCES:

COLUMN (A): TESTIMONY, WAR  
COLUMN (B): SCHEDULE WAR - 5, PAGE 2, COLUMN C  
COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 5  
PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A)	(B)			(C)
			SHARE GROWTH	$\times \{ [ ( ( M \div B ) + 1 ) \div 2 ] - 1 \}$	$\div$	$\{ [ ( ( 1.82 ) + 1 ) \div 2 ] - 1 \}$	EXTERNAL GROWTH (sv)
2	AWR	AMERICAN STATES WATER CO.	0.25%	$\times \{ [ ( ( 1.82 ) + 1 ) \div 2 ] - 1 \}$	$\div$	$\{ [ ( ( 1.82 ) + 1 ) \div 2 ] - 1 \}$	0.10%
3	CWT	CALIFORNIA WATER SERVICE GROUP	1.00%	$\times \{ [ ( ( 2.11 ) + 1 ) \div 2 ] - 1 \}$	$\div$	$\{ [ ( ( 2.11 ) + 1 ) \div 2 ] - 1 \}$	0.56%
4	PSC	PHILADELPHIA SUBURBAN CORP.	1.75%	$\times \{ [ ( ( 3.19 ) + 1 ) \div 2 ] - 1 \}$	$\div$	$\{ [ ( ( 3.19 ) + 1 ) \div 2 ] - 1 \}$	1.91%

REFERENCES:

COLUMN (A): TESTIMONY, WAR  
COLUMN (B): VALUE LINE INVESTMENT SURVEY, 08/01/03  
COLUMN (C): COLUMN (A) x COLUMN (B)

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 6

LINE NO.	STOCK SYMBOL	COMPANY	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (f) =	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	1998	0.2222	9.40%	2.09%	11.48	13.44	
2			1999	0.2857	10.10%	2.89%	11.82	13.44	
3			2000	0.3281	9.30%	3.05%	12.74	15.12	
4			2001	0.3556	10.10%	3.59%	13.22	15.12	
5			2002	0.3507	9.50%	3.33%	14.05	15.18	
6			GROWTH 1998 - 2002			2.99%	4.00%		3.09%
7			2003	0.3231	8.50%	2.75%		16.80	10.67%
8			2004	0.3793	9.50%	3.60%		16.80	5.20%
9			2006-08	0.4703	10.00%	4.70%	5.00%	16.80	2.05%
10									
11	CWT	CALIFORNIA WATER SERVICE GROUP	1998	0.2621	10.80%	2.83%	13.38	12.62	
12			1999	0.2876	11.40%	3.28%	13.43	12.62	
13			2000	0.1603	10.10%	1.62%	12.90	15.15	
14			2001	-0.1915	7.20%	-1.38%	12.95	15.18	
15			2002	0.1040	9.50%	0.95%	13.12	15.18	
16			GROWTH 1998 - 2002			1.47%	1.00%		4.73%
17			2003	-0.0182	8.00%	-0.15%		17.00	11.99%
18			2004	0.2207	9.00%	1.99%		18.80	11.29%
19			2006-08	0.3949	10.50%	4.15%	7.00%	18.80	4.37%
20									
21	PSC	PHILADELPHIA SUBURBAN CORP.	1998	0.3485	12.40%	4.32%	5.34	43.32	
22			1999	0.3571	12.30%	4.39%	5.71	64.08	
23			2000	0.3974	11.70%	4.65%	6.42	67.10	
24			2001	0.4118	12.40%	5.11%	6.91	68.39	
25			2002	0.4000	12.70%	5.08%	7.26	67.92	
26			GROWTH 1998 - 2002			4.71%	9.00%		11.90%
27			2003	0.4300	13.00%	5.59%		69.00	1.59%
28			2004	0.4545	14.00%	6.36%		70.50	1.88%
29			2006-08	0.5172	15.00%	7.76%	6.50%	75.00	2.00%

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY  
- RATINGS & REPORTS DATED 08/01/03

COLUMN (C): COLUMN (A) x COLUMN (B)

COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 1998 - 2002

COLUMN (D): VALUE LINE INVESTMENT SURVEY

COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE

COLUMN (E): VALUE LINE INVESTMENT SURVEY

COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
GROWTH RATE COMPARISON

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 7

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)		(B) ZACKS EPS		(C) VALUE LINE PROJECTED			(D) VALUE LINE HISTORIC			(E) VALUE LINE & ZACKS AVGS.		(F) 5 - YEAR COMPOUND HISTORY		
						EPS	DPS	BVPS	EPS	DPS	BVPS			EPS	DPS	BVPS
1	AWR	4.70%		4.00%		6.00%	2.00%	5.00%	4.50%	1.00%	4.00%	3.79%		5.54%	0.88%	5.18%
2																
3	CWT	4.31%		3.00%		9.00%	1.00%	7.00%	-5.00%	1.50%	1.00%	2.50%		-3.64%	1.15%	-0.49%
4																
5	PSC	8.91%		7.00%		10.00%	5.50%	6.50%	10.00%	6.00%	9.00%	7.71%		8.06%	5.86%	7.98%
6																
7																
8																
9	AVERAGES	5.97%		4.67%		8.33%	2.83%	6.17%	3.17%	2.83%	4.67%	4.67%		3.32%	2.63%	4.22%
							5.78%			3.56%					3.39%	

REFERENCES:

COLUMN (A): SCHEDULE WAR - 5, PAGE 1, COLUMN C  
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)  
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 08/01/03  
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 08/01/03  
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1, 3, 5 AND 7  
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM  
- VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 08/01/03

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	(A)										(B) EXPECTED RETURN			
		k	=	r <sub>f</sub>	+	[	β	x	(	r <sub>m</sub>	-	r <sub>f</sub>	)	=	
1	AWR	k	=	0.90%			0.60	x	(	10.20%	-	0.90%	)	=	6.48%
2	CWT	k	=	0.90%	+	[	0.60	x	(	10.20%	-	0.90%	)	=	6.48%
3	PSC	k	=	0.90%	+	[	0.70	x	(	10.20%	-	0.90%	)	=	7.41%
4	AVERAGE						0.63								6.79%

REFERENCES:

COLUMN (A): GENERAL CAPITAL ASSET PRICING MODEL (CAPM) FORMULA

$$k = r_f + [ \beta (r_m - r_f) ]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY  
r<sub>f</sub> = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)  
β = THE BETA COEFFICIENT OF A GIVEN SECURITY  
r<sub>m</sub> = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN AVERAGE OF THE 91-DAY T-BILL RATE (6-WEEK AVG.) AND THE 91-DAY T-BILL FUTURES RATE THAT APPEARED IN THE 08/01/03 COPY OF THE WALL STREET JOURNAL WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE MARKET RATE PROXY USED WAS THE GEOMETRIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2002 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2002 YEARBOOK.

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
CAPM COST OF EQUITY CAPITAL

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 8  
PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	(A)											(B)		
		k	=	r <sub>f</sub>	+	[	β	x	(	r <sub>m</sub>	-	r <sub>f</sub>	)	=	EXPECTED RETURN
1	AWR	k	=	0.90%	+	[	0.60	x	(	12.20%	-	0.90%	)	=	7.68%
2	CWT	k	=	0.90%	+	[	0.60	x	(	12.20%	-	0.90%	)	=	7.68%
3	PSC	k	=	0.90%	+	[	0.70	x	(	12.20%	-	0.90%	)	=	8.81%
4	AVERAGE						0.63								8.06%

REFERENCES:

COLUMN (A): GENERAL CAPITAL ASSET PRICING MODEL (CAPM) FORMULA

$$k = r_f + [ \beta (r_m - r_f) ]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY  
r<sub>f</sub> = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)  
β = THE BETA COEFFICIENT OF A GIVEN SECURITY  
r<sub>m</sub> = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN AVERAGE OF THE 91-DAY T-BILL RATE (6-WEEK AVG.) AND THE 91-DAY T-BILL FUTURES RATE THAT APPEARED IN THE 08/01/03 COPY OF THE WALL STREET JOURNAL WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE MARKET RATE PROXY USED WAS THE GEOMETRIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2002 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2002 YEARBOOK.

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-01303A-02-0867 ET AL.  
SCHEDULE WAR - 9

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 \$)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) Aa-RATED UTIL. BOND YIELD	(I) A-RATED UTIL. BOND YIELD	(J) Baa-RATED UTIL. BOND YIELD
1	1990	5.40%	0.46%	10.01%	6.98%	8.10%	7.49%	8.61%	9.65%	9.86%	10.06%
2	1991	4.20%	0.85%	8.46%	5.45%	5.69%	5.38%	8.14%	9.09%	9.36%	9.55%
3	1992	3.00%	4.01%	6.25%	3.25%	3.52%	3.43%	7.67%	8.55%	8.69%	8.86%
4	1993	3.00%	2.55%	6.00%	3.00%	3.02%	3.00%	6.60%	7.44%	7.59%	7.91%
5	1994	2.60%	4.08%	7.14%	3.60%	4.20%	4.25%	7.37%	8.21%	8.31%	8.63%
6	1995	2.80%	2.16%	8.83%	5.21%	5.84%	5.49%	6.88%	7.77%	7.89%	8.29%
7	1996	3.00%	4.06%	8.27%	5.02%	5.30%	5.01%	6.70%	7.57%	7.75%	8.17%
8	1997	2.30%	4.31%	8.44%	5.00%	5.46%	5.06%	6.61%	7.66%	7.60%	8.12%
9	1998	1.60%	4.61%	8.35%	4.92%	5.35%	4.78%	5.58%	6.91%	7.04%	7.27%
10	1999	2.20%	4.96%	7.99%	4.62%	4.97%	4.84%	5.86%	7.51%	7.62%	7.88%
11	2000	3.40%	3.41%	9.23%	5.73%	6.24%	5.82%	5.94%	8.06%	8.24%	8.36%
12	2001	2.80%	0.05%	6.92%	3.41%	3.88%	3.38%	5.95%	7.98%	7.59%	8.02%
13	2002	1.58%	2.91%	4.67%	1.17%	1.66%	1.60%	5.38%	7.17%	7.41%	7.98%
14	CURRENT	2.00%	0.47%	4.00%	2.00%	1.00%	0.91%	5.09%	6.39%	6.64%	6.88%

REFERENCES:

COLUMN (A): 1990 - 2002, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE  
COLUMN (B): 1990 - 2002, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE  
COLUMN (C) THROUGH (G): 1990 - 2002, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE  
COLUMN (H) THROUGH (J): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 08/01/03  
COLUMN (H) THROUGH (J): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS  
COLUMN (H) THROUGH (J): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL  
COLUMN (H) THROUGH (J): 2002, MERGENT NEWS REPORTS, DATED 08/05/03  
COLUMN (H) THROUGH (J): CURRENT, MERGENT NEWS REPORTS, DATED 08/05/03

LINE NO.	AWR	PCT.	CWT	PCT.	PSC	PCT.	AVERAGE	PCT.
1	\$13.0	2.9%	\$36.4	7.4%	\$115.1	9.8%	\$55	7.8%
2	235.5	51.6%	251.4	51.3%	617.2	52.6%	\$368	52.1%
3	0.0	0.0%	3.5	0.7%	1.7	0.1%	\$2	0.2%
4	207.6	45.5%	199.2	40.6%	439.1	37.4%	282	39.9%
5	\$456.1	100%	\$490.4	100%	\$1,173.1	100%	\$707	100%

NOTE:  
\* INCLUDES CURRENT PORTION OF LONG-TERM DEBT

REFERENCES:  
YEAR 2002 ANNUAL REPORTS TO SHAREHOLDERS AND 10-K FILINGS TO THE U.S. SECURITIES AND EXCHANGE COMMISSION

**EXHIBIT**

*R-4*  
*Admitted*

**ARIZONA- AMERICAN WATER COMPANY, INC.**

**DOCKET NOS. WS-01303A-02-0867**

**WS-01303A-02-0868**

**W-01303A-02-0869**

**WS-01303A-02-0870**

**W-01303A-02-0908**

**SURREBUTTAL TESTIMONY**

**OF**

**RODNEY L. MOORE**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**OCTOBER 31, 2003**

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**INTRODUCTION**

Q. Please state your name for the record.

A. My name is Rodney Lane Moore.

Q. Have you previously filed testimony regarding this docket?

A. Yes, I have. I filed direct testimony in this docket on September 5, 2003.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony will address the Company's rebuttal comments pertaining to adjustments I sponsored in my direct testimony. I will also correct three minor computational errors in my direct filing.

**SUMMARY OF ADJUSTMENTS**

Q. What areas will you address in your surrebuttal testimony?

A. My surrebuttal testimony will address the following RUCO proposed adjustments:

1. Rate Base Adjustment No. 1 – Test Year Original Cost Rate Base.
2. Rate Base Adjustment No. 2 – Post –Test Year Original Cost Rate Base.
3. Rate Base Adjustment No. 3 – Acquisition Adjustment.
4. Operating Income Adjustment No. 3 – AZ-AM's Service Company Charges.

...

1           5.     Operating Income Adjustment No. 4 – AZ-AM's Salaries and  
2                 Wages.

3           6.     Operating Income Adjustment No. 8 – Additional Corporate  
4                 Overhead.

5           7.     Cost of Capital.

6           8.     Rate Design.

7  
8           I prepared five sets of Surrebuttal Schedules numbered RLM-1, RLM-10,  
9           RLM-17 and RLM-19, which are filed concurrently in support of my  
10           surrebuttal testimony.

11  
12   **COMPUTATION ERRORS IN DIRECT TESTIMONY**

13   Q.    Before you respond to the Company's rebuttal testimony please clarify the  
14           three computation errors you discovered in your direct testimony.

15   A.    First, due to a computation error where an inappropriate plus/minus sign  
16           corrupted the depreciation expense on plant retirements, the accumulated  
17           depreciation balance was overstated in my direct testimony. Corrected  
18           values are shown on Surrebuttal Schedules RLM-1 as adjustment number  
19           1.

20   ...

21   ...

22   ...

23   ...

1 Second, due to a computation error where the complete data bank for  
2 projected salaries and wages did not sort properly, the calculated values  
3 were understated. Corrected values are shown on Surrebuttal Schedule  
4 RLM-1 as adjustment number 2.

5  
6 Third, referring to the Sun City Water District only, due to a computation  
7 error on Schedule RLM-14, page 1 where the "Company As Filed" values  
8 were incorrectly transcribed, the test year salary and wage expenses were  
9 overstated. Corrected value is shown on the Sun City Water District  
10 Surrebuttal Schedule RLM-1 as adjustment number 3.

11  
12 **RATE BASE**

13 **Rate Base Adjustment No. 1 – Test Year Original Cost Rate Base**

14 Q. Please explain your adjustment to the test year original cost rate base.

15 A. As explained above, due to a computational error in my plant schedules  
16 the accumulated depreciation was overstated.

17  
18 Q. Do you agree with the Company's rebuttal testimony where it indicates  
19 your accumulated depreciation is overstated for two primary reasons?

20 A. No I do not. The Company contends that, first, RUCO employed a half-  
21 year convention where as AZ-AM employs a half-month convention; and  
22 second, RUCO incorrectly adjusted for historical plant adjustments.

23 ...

1 The half-year convention methodology is the normal process for  
2 calculating accumulated depreciation and absent any justification from the  
3 Company for departure from the generally accepted methodology, I  
4 contend my application of the half-year convention is appropriate.

5  
6 Second, RUCO depreciated the negative historical plant adjustments  
7 using the half-year convention, removed these items from total plant, but  
8 did not remove them from the accumulated depreciation account.  
9 Because these items represent adjustments, as opposed to retirements, I  
10 did not decrease accumulated depreciation. This is the appropriate  
11 accounting method for recording these adjustments.

12  
13 **Rate Base Adjustment No. 2 – Post-Test Year Original Cost Rate Base**

14 Q. Do you agree with the Company's rebuttal testimony that RUCO did not  
15 include any post-test year plant?

16 A. No I do not. Schedule RLM-5 indicates my treatment of post-test year  
17 actual revenue neutral plant additions, AZ-AM's ORCOM billing system  
18 and plant at closing. Moreover, the adjustments are discussed in my  
19 direct testimony at page 14 starting on line 19.

20 ...

21 ...

22 ...

23 ...

**Rate Base Adjustment No. 3 – Acquisition Adjustment**

Q. Have you reviewed the Company's rebuttal testimony regarding the acquisition adjustment?

A. Yes I have. The Company claims in its rebuttal testimony that it is not requesting recovery of the acquisition premium through its proposed RCND rate base.

Q. Is this accurate?

A. Yes it is. However, the Company's position is somewhat misleading. I agree that the RCND rate base proposed by the Company does not include the acquisition adjustment. However, for all the reasons discussed in the direct testimony of RUCO witness Marylee Diaz Cortez at page 8 starting on line 11, RUCO is not recommending that rates be set based on a RCND rate base with an original cost rate of return, as proposed by the Company. RUCO is recommending that rates be set based on an original cost rate base ("OCRB") with an original cost rate of return. The OCRB filed by the Company *does* include an acquisition adjustment, and accordingly, if an OCRB is authorized in this case the acquisition premium does become an issue.

...

...

...

...

1 Q. In its direct filing did the Company request recovery of the acquisition  
2 premium through amortization expense?

3 A. Yes it did. Included in the Company's direct filing is a 40-year  
4 amortization of the acquisition premium. RUCO in its direct filing  
5 recommended disallowance of the acquisition premium amortization  
6 expense.

7  
8 Q. What is the Company's rebuttal position regarding the disallowance of the  
9 acquisition premium amortization?

10 A. In the rebuttal testimony of Company witness David Stephenson at page  
11 10 starting on line 7, the Company states:

12 .... it mistakenly included the recovery of the acquisition premium  
13 through amortization as part of depreciation expense. This was  
14 inappropriate due to the fact that the Company was not requesting that the  
15 revenue requirement in these applications be based on the inclusion of a  
16 return on the premium. This has been corrected by removal of the return  
17 of the premium (amortization) in the revenue requirement.  
18

19 Q. Do you agree with the Company's rebuttal position on the acquisition  
20 premium amortization?

21 A. Yes I do agree with the Company that amortization of the premium should  
22 not be included in the revenue requirement in this case.

23 ...

24 ...

25 ...

26 ...

**OPERATING INCOME**

**Operating Income Adjustment No. 3 – AZ-AM's Service Company Charges**

Q. Do you agree with the Company's suggestion that RUCO's adjustment to the Service Company charges was miscalculated?

A. No I do not. I reconfirmed my analyzes and verified the information provided by the Company in response to RUCO's third data request. The Company's response states the actual 2002 year-to-date AZ-AM Service Company allocation for Arizona was \$4,366,610. Therefore, based on that information I consider my calculations to be correct.

**Operating Income Adjustment No. 4 – AZ-AM's Salaries and Wages**

Q. Please explain your adjustment to AZ-AM's projected salaries.

A. As mentioned above, the criteria used to sort the data representing AZ-AM's 2002 payroll into business units, was incorrect and did not capture the entire record. Therefore, my adjustment to the salaries and wages expense was understated. Please refer to Surrebuttal Schedule RLM-10 for detail supporting my corrected adjustment.

Q. Do you agree with the Company's use of the actual capitalized amount of labor costs to determine the test year level of the AZ-AM salaries and wages expense?

A. No I do not. The use of the across-the-board capitalization rate of 27 percent more accurately computes a typical test year expense. The use

1 of the broad calculation of AZ-AM's capitalized labor costs normalizes the  
2 Company's activity in capital projects and avoids imbedding the effects of  
3 a non-typical high/low demand for plant additions on a specific District's  
4 future rates.

5  
6 Q. Please explain your adjustment to AZ-AM's projected payroll taxes.

7 A. Using the revised net labor charges derived from Company's rebuttal  
8 workpapers, I used the same calculations in my direct testimony to  
9 compute payroll taxes. I reconfirmed my computation and used the actual  
10 FICA, FUTA and SUTA rates as provided by the Company in its response  
11 to RUCO's third data request. Please refer to Surrebuttal Schedule RLM-  
12 10 for detail supporting this adjustment.

13  
14 **Operating Income Adjustment No. 8 – Additional AZ-AM's Corporate**  
15 **Overhead**

16 Q. Do you agree with the Company's rebuttal testimony where it indicates  
17 you made two errors in calculating projected AZ-AM's corporate additional  
18 overhead?

19 A. No I do not. First, the Company suggests I miscalculated the aggregate  
20 total of the expenses; and second, I misappropriated the expenses by  
21 using incorrect allocation factors.

22 ...

23 ...

1 In my direct testimony I utilized data provided by the Company in  
2 response to RUCO's data request number 3.3. I was able to analyze the  
3 actual records associated with the projected corporate overhead. In  
4 reviewing my calculations for surrebuttal testimony, I did make a  
5 reassessment. I classified \$587,410 in the "Office" category and it should  
6 have been classified in the "Employee Benefits" category. However, the  
7 aggregate total for these expenses is correct. The discrepancy between  
8 the Company's rebuttal position and my direct position is a result of a  
9 Company error. Thus, my direct testimony remains unchanged.

10  
11 Second, the allocation factors I used to compute the adjustments in my  
12 direct testimony were provided by the Company in response to RUCO's  
13 third data request. My total projected corporate overhead is correct and  
14 the allocated amounts are appropriate, and thus I have not revised my  
15 corporate overhead adjustment on RLM-14.

16  
17 **COST OF CAPITAL**

18 Q. Was there an adjustment made to the cost of capital?

19 A. Yes there was. RUCO witness William A. Rigsby is recommending an  
20 adjustment to his cost of capital. As a result, RUCO's recommended  
21 weighted cost of capital was increased from 6.57 percent to 6.77 percent.  
22 The revised revenue requirement applicable to this adjustment is shown  
23 on Surrebuttal Schedule RLM-1 as adjustment number 4.

**RATE DESIGN**

Q. Please explain the adjustment to your rate design.

A. After review of the Company's cost of service study provided in its rebuttal testimony, I adjusted the rates to reflect my revisions in the proposed revenue requirement due to my revised calculations and to create an equal percentage increase across all customer classes and commodity charges. Please refer to Surrebuttal Schedule RLM-17 for detail supporting this adjustment.

**CONCLUSION**

Q. What is the overall percentage change due to your revised calculations on the average typical residential customer's monthly statement?

A. The effect of my revised calculations on the average typical residential customer's monthly statement will change over their present billing by the percentages listed below:

	<u>DIRECT TESTIMONY</u>	<u>SURREBUTTAL TESTIMONY</u>
Sun City West Water	12.8%	16.4%
Sun City West Wastewater	28.7%	30.6%
Sun City Water	20.1%	25.9%
Sun City Wastewater	-17.8%	-16.8%
Tubac Water	16.27%	20.1%

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Water District

**SURREBUTTAL**  
**TABLE OF CONTENTS TO RLM SCHEDULES**

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RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
RLM-17	1	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-19	1	TYPICAL BILL ANALYSIS

**SURREBUTTAL  
REVENUE REQUIREMENT**

LINE NO	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) DIRECT RUCO ORIGINAL COST	(E)	(F) SURREBUTTAL RUCO -OCRB ADJUSTMENTS	(G)	(H) SURRE'L RUCO OCRB
						NO. 1	NO. 2	NO. 3	NO. 4 AS ADJUTED
1	Fair Value Rate Base	\$ 48,703,466	\$ (16,736,610)	\$ 31,966,856	\$ 22,304,176	\$ 49,358	\$ 0	\$ 0	\$ 22,353,535
2	Adjusted Operat'g Income (Loss)	\$ 476,007		\$ 476,007	\$ 260,008	\$ 556	\$ (44,863)	\$ 331,827	\$ 547,011
3	Current Rate Of Return (L2 / L1)	0.98%		1.49%	1.17%				2.45%
4	Req. Operat'g Income (L5 X L1)	\$ 3,774,295		\$ 2,477,431	\$ 1,465,517	\$ 3,244	\$ 0	\$ 0	\$ 1,512,250
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.57%				6.77%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 3,298,287		\$ 2,001,424	\$ 1,205,509	\$ 2,689	\$ 44,863	\$ (331,827)	\$ 965,239
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286	1.6286	1.6286	1.6286	1.6286
8	Incr. In Gross Rev. Req't (L7 X L6)	\$ 5,371,706		\$ 3,259,520	\$ 1,963,334	\$ 4,377	\$ 73,065	\$ (540,424)	\$ 1,572,021
9	Adjusted Test Year Revenue	\$ 6,193,090		\$ 6,193,090	\$ 6,193,090	\$ 0	\$ 0	\$ 0	\$ 6,193,090
10	Proposed Annual Rev. (L8 + L9)	\$ 11,559,457		\$ 9,452,610	\$ 8,156,424	\$ 4,377	\$ 73,065	\$ (540,424)	\$ 7,765,111
11	Req'd % Increase In Rev. (L8 / L9)	86.74%		52.63%	31.70%	0.07%	1.18%	-8.73%	25.38%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.11%				0.50%

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2
- Column (C): Recalculated After Adjusting To OCRB
- Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19
- Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See Surrebuttal Testimony
- Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries And Wages - See RUCO Surrebuttal Schedules RLM-10
- Column (G): Adjustment No. 3 - SUN CITY WATER DISTRICT ONLY Computation Error In Projected Corporate Overhead - See Surrebuttal Testimony
- Column (H): Adjustment No. 4 - RUCO Revised Cost Of Capital - See William Rigsby's Surrebuttal Testimony
- Column (I): Sum Of Columns (D) Thru Column (H)

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4**  
**PROJECTED SALARIES AND WAGES**

LINE NO.	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water 2364	\$ 377,644	\$ 101,964	\$ 275,680	6	\$ 22,560
2	Sun City West W/W 2365	434,380	117,283	317,097	9	26,463
3	Sun City Water 2362	861,122	232,503	628,619	24	53,969
4	Sun City Wastewater 2363	86,478	23,349	63,129	4	5,809
5	Tubac 2389	76,355	20,616	55,739	1	4,509
6	Agua Fria 2361	875,892	236,491	639,401	7	50,629
7	Anthem Water 2381 & 2383	460,581	124,357	336,224	12	28,661
8	Agua Fria, Anthem W/W 2382 & 2384	301,354	81,366	219,988	6	18,299
9	Mohave Water 2371	651,510	175,908	475,602	15	40,059
10	Havasu Water 2373	144,850	39,110	105,741	3	8,824
11	TOTALS	\$ 4,270,166	\$ 1,152,945	\$ 3,117,221	87	\$ 259,782
12	Company Rebuttal	4,270,021	985,673	3,268,803		
13	Difference	\$ 145	\$ 167,272	\$ (151,582)		
			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
14	SUN CITY WEST WATER Rebuttal Adjustment No. 1 Salaries And Wages		\$ 347,733	\$ 275,680	\$ (72,053)	\$ (26,061)
15	Rebuttal Adjustment No. 2 Payroll Tax		28,072	22,560	(5,512)	(1,994)
16	TOTAL		\$ 375,805	\$ 298,240	\$ (77,565)	\$ (28,055)
			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
17	SUN CITY WEST WASTEWATER Rebuttal Adjustment No. 1 Salaries And Wages		\$ 445,070	\$ 317,097	\$ (127,973)	\$ (11,518)
18	Rebuttal Adjustment No. 2 Payroll Tax		36,253	26,463	(9,790)	(881)
19	TOTAL		\$ 481,323	\$ 343,560	\$ (137,763)	\$ (12,399)
			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
20	SUN CITY WATER Rebuttal Adjustment No. 1 Salaries And Wages		\$ 734,448	\$ 628,619	\$ (105,829)	\$ (39,661)
21	Rebuttal Adjustment No. 2 Payroll Tax		62,065	53,969	(8,096)	(33,403)
22	TOTAL		\$ 796,513	\$ 682,588	\$ (113,925)	\$ (73,064)
			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
23	SUN CITY WASTEWATER Rebuttal Adjustment No. 1 Salaries And Wages		\$ 88,549	\$ 63,129	\$ (25,420)	\$ (4,727)
24	Rebuttal Adjustment No. 2 Payroll Tax		7,754	5,809	(1,945)	(361)
25	TOTAL		\$ 96,303	\$ 68,938	\$ (27,365)	\$ (5,088)
			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
26	TUBAC Rebuttal Adjustment No. 1 Salaries And Wages		\$ 59,664	\$ 55,739	\$ (3,925)	\$ (6,067)
27	Rebuttal Adjustment No. 2 Payroll Tax		4,809	4,509	(300)	(464)
28	TOTAL		\$ 64,473	\$ 60,248	\$ (4,225)	\$ (6,531)

References:

Columns (A) (D): Company Rebuttal Workpapers On AZ-AM 2002 Payroll

Column (B): As Per Company Rebuttal Workpapers On AZ-AM 2002 Payroll - Capitalized Plant Is 27% Of Gross Plant

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**SURREBUTTAL**  
**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED	(D) PERCENTAGE INCREASE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>					
	Residential, Commercial				
1	5/8 X 3/4 - Inch	\$ 5.00	\$ 9.43	\$ 6.30	26%
2	3/4 - Inch	5.00	9.43	6.30	26%
3	1 - Inch	13.00	24.51	16.37	26%
4	1 1/2 - Inch	28.00	52.78	35.06	25%
5	2 - Inch	41.00	77.29	51.61	26%
6	3 - Inch	70.00	131.95	88.11	26%
7	4 - Inch	103.00	194.16	129.65	26%
8	6 - Inch	141.00	265.79	177.48	26%
	Private Fire Protection				
9	Flat Rate 3 - Inch	\$ 6.00	\$ 11.31	\$ 7.56	26%
10	Flat Rate 4 - Inch	9.00	16.97	11.34	26%
11	Flat Rate 6 - Inch	12.50	23.56	15.74	26%
12	Flat Rate 8 - Inch	20.00	37.70	25.19	26%
13	Flat Rate 10 - Inch	30.00	56.55	37.78	26%
14	Standby	\$ 3.50	\$ 6.60	\$ 4.41	26%
	Public Interruptible				
15	3 - Inch	\$ 0.00	\$ 0.00	\$ 0.00	0%
16	8 - Inch	0.00	0.00	0.00	0%
	Irrigation				
17	1 - Inch	\$ 13.00	\$ 24.51	\$ 16.37	26%
18	1 1/2 - Inch	28.00	52.78	35.26	26%
19	2 - Inch	41.00	77.29	51.63	26%
20	3 - Inch	70.00	131.95	88.14	26%
21	4 - Inch	103.00	194.16	129.69	26%
22	6 - Inch	141.00	265.48	177.33	26%

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES (Per 1,000 Gallons)**

All Meters (Except construction, irrigation, public interruptible):					
23	Tier 1 (0 to 8,000 Gallons)	\$ 0.73	\$ 1.38	\$ 0.92	26%
24	Tier 2 (Above 8,001 Gallons)	0.92	1.73	1.16	26%
Construction, Irrigation, Public Interruptible Meters:					
25	Construction / Untreated CAP	\$ 0.50	\$ 0.94	\$ 0.63	26%
26	Irrigation	0.65	1.23	0.82	27%
27	Public Interruptible	0.50	0.94	0.63	26%

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Surrebuttal Testimony, RLM  
Column (D): Column (C) - Column (A) / Column (A)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Water District  
Surrebuttal Schedule RLM-19  
Page 1 of 1

**SURREBUTTAL  
TYPICAL BILL ANALYSIS  
RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED AS FILED</b>						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	8,361	\$11.17	\$21.09	\$9.92	88.8%
2	Median	6,516	\$9.76	\$18.42	\$8.67	88.8%

**RUCO SURREBUTTAL PROPOSED**

3	Average	8,361	\$11.17	\$14.07	\$2.90	25.9%
4	Median	6,516	\$9.76	\$12.29	\$2.53	25.9%
5	Average Number Of Customers: 19214					

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company		RUCO	
			Prop'd Rates	% Increase	Prop'd Rates	% Increase
6	0	\$5.00	\$9.43	88.6%	\$6.30	25.9%
7	1,000	5.73	10.81	88.7%	7.22	25.9%
8	2,000	6.46	12.19	88.7%	8.14	25.9%
9	3,000	7.19	13.57	88.7%	9.05	25.9%
10	4,000	7.92	14.95	88.8%	9.97	25.9%
11	5,000	8.65	16.33	88.8%	10.89	25.9%
12	6,000	9.38	17.71	88.8%	11.81	25.9%
13	7,000	10.11	19.09	88.8%	12.73	25.9%
14	8,000	10.84	20.47	88.8%	13.65	25.9%
15	9,000	11.76	22.20	88.8%	14.81	25.9%
16	10,000	12.68	23.93	88.7%	15.97	25.9%
17	15,000	17.28	32.58	88.5%	21.76	25.9%
18	20,000	21.88	41.23	88.4%	27.56	25.9%
19	25,000	26.48	49.88	88.4%	33.35	25.9%
20	50,000	49.48	93.13	88.2%	62.31	25.9%
21	75,000	72.48	136.38	88.2%	91.28	25.9%
22	100,000	95.48	179.63	88.1%	120.24	25.9%
23	125,000	118.48	222.88	88.1%	149.21	25.9%
24	150,000	141.48	266.13	88.1%	178.18	25.9%
25	175,000	164.48	309.38	88.1%	207.14	25.9%
26	200,000	187.48	352.63	88.1%	236.11	25.9%

Arizona-American Water Company  
Docket No. SW-01303A-02-0868  
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Sun City Wastewater District

~~SURREBUTTAL~~

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RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - PROJECTED SALARIES AND WAGES
RLM-17	1	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-19	1	TYPICAL BILL ANALYSIS

**SURREBUTTAL  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) DIRECT RUCO ORIGINAL COST	(E)		(F)		(G)	(H)	(I) SURRE'L RUCO OCRB AS ADJUTED
						NO. 1	NO. 2	NO. 3	NO. 4			
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 8,893,529	\$ 35,623	\$ 0	\$ 0	\$ 0			\$ 8,929,152
2	Adjusted Operating Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 1,133,760	\$ 0	\$ (3,124)		\$ (468)			\$ 1,130,168
3	Current Rate Of Return (L2 / L1)	5.81%		8.37%	12.75%							12.66%
4	Required Operating Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 584,358	\$ 2,340	\$ 0		\$ 17,372			\$ 604,070
5	Req'd Rate Of Return On Fair Value R	7.75%		7.75%	6.57%				0.20%			6.77%
6	Operating Income Deficiency (L4 - L2)	\$ 392,593		\$ (87,181)	\$ (549,402)	\$ 2,341	\$ 3,124		\$ 17,840			\$ (526,097)
7	Gross Revenue Conv. Factor (RLM-1,	1.6286		1.6286	1.6286	1.6286	1.6286		1.6286			1.6286
8	Increase In Gross Revenue Reqmt (L	\$ 639,391		\$ (141,984)	\$ (894,775)	\$ 3,812	\$ 5,088		\$ 29,054			\$ (856,821)
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 5,088,340	\$ 0	\$ 0		\$ 0			\$ 5,088,340
10	Proposed Annual Revenue (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 4,193,565	\$ 3,812	\$ 5,088		\$ 29,054			\$ 4,231,519
11	Req'd Percentage Increase In Revenue	12.57%		-2.79%	-17.58%	0.07%	0.10%		0.58%			-16.84%
12	Rate Of Return On Common Equity	11.50%		11.50%	9.11%	0.00%	0.00%		0.50%			9.61%

**References:**

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2
- Column (C): Recalculated After Adjusting To OCRB
- Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19
- Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See Surrebuttal Testimony
- Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries And Wages - See RUCO Surrebuttal Schedules RLM-10
- Column (G): Adjustment No. 3 - SUN CITY WATER DISTRICT ONLY Computation Error In Projected Corporate Overhead - See Surrebuttal Testimony
- Column (H): Column (D) + Column (E) + Column (F) + Column (G)

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4**  
**PROJECTED SALARIES AND WAGES**

LINE NO.	AZ-AM BUSINESS COMPANY UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water 2364	\$ 377,644	\$ 101,964	\$ 275,680	6	\$ 22,560
2	Sun City West W/W 2365	434,380	117,283	317,097	9	26,463
3	Sun City Water 2362	861,122	232,503	628,619	24	53,969
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5	Tubac 2389	76,355	20,616	55,739	1	4,509
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7	Anthem Water 2381 & 2383	460,581	124,357	336,224	12	28,661
8	Agua Fria, Anthem W/W 2382 & 2384	301,354	81,366	219,988	6	18,299
9	Mohave Water 2371	651,510	175,908	475,602	15	40,059
10	Havasu Water 2373	144,850	39,110	105,741	3	8,824
11	TOTALS	\$ 4,270,166	\$ 1,152,945	\$ 3,117,221	87	\$ 259,782
12	Company Rebuttal	4,270,021	985,673	3,268,803		
13	Difference	\$ 145	\$ 167,272	\$ (151,582)		
	SUN CITY WEST WATER		COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
14	Rebuttal Adjustment No. 1 Salaries And Wages		\$ 347,733	\$ 275,680	\$ (72,053)	\$ (26,061)
15	Rebuttal Adjustment No. 2 Payroll Tax		28,072	22,560	(5,512)	(1,994)
16	TOTAL		\$ 375,805	\$ 298,240	\$ (77,565)	\$ (28,055)
	SUN CITY WEST WASTEWATER		COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
17	Rebuttal Adjustment No. 1 Salaries And Wages		\$ 445,070	\$ 317,097	\$ (127,973)	\$ (11,518)
18	Rebuttal Adjustment No. 2 Payroll Tax		36,253	26,463	(9,790)	(881)
19	TOTAL		\$ 481,323	\$ 343,560	\$ (137,763)	\$ (12,399)
	SUN CITY WATER		COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
20	Rebuttal Adjustment No. 1 Salaries And Wages		\$ 734,448	\$ 628,619	\$ (105,829)	\$ (39,661)
21	Rebuttal Adjustment No. 2 Payroll Tax		62,065	53,969	(8,096)	(33,403)
22	TOTAL		\$ 796,513	\$ 682,588	\$ (113,925)	\$ (73,064)
	SUN CITY WASTEWATER		COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
23	Rebuttal Adjustment No. 1 Salaries And Wages		\$ 88,549	\$ 63,129	\$ (25,420)	\$ (4,727)
24	Rebuttal Adjustment No. 2 Payroll Tax		7,754	5,809	(1,945)	(361)
25	TOTAL		\$ 96,303	\$ 68,938	\$ (27,365)	\$ (5,088)
	TUBAC		COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
26	Rebuttal Adjustment No. 1 Salaries And Wages		\$ 59,664	\$ 55,739	\$ (3,925)	\$ (6,067)
27	Rebuttal Adjustment No. 2 Payroll Tax		4,809	4,509	(300)	(464)
28	TOTAL		\$ 64,473	\$ 60,248	\$ (4,225)	\$ (6,531)

References:

Columns (A) (D): Company Rebuttal Workpapers On AZ-AM 2002 Payroll

Column (B): As Per Company Rebuttal Workpapers On AZ-AM 2002 Payroll - Capitalized Plant Is 27% Of Gross Plant

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**~~SURREBUTTAL~~**  
**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED	(D) PERCENTAGE INCREASE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>					
1	Residential Units (SSR)	\$ 12.87	\$ 14.48	\$ 10.70	-17%
2	Comercial/Residential Units (SSR)	12.87	14.48	10.70	-17%
3	Commercial Units (SSC)	15.46	17.39	12.85	-17%
4	Commercial Larger User (SS6)	32.80	36.90	27.27	-17%
5	Multi-Family Residential Units (AC SSR)	12.87	14.48	10.70	-17%
6	SS1 (Commercial, Additional Toilets)	3.78	4.25	3.14	-17%
7	SS2 (Commercial Restaurant)	29.10	32.74	24.20	-17%
8	SS3 (Commercial Laundromat)	7.06	7.94	5.87	-17%
9	SS4 (Commercial, Per Wash Rack)	14.40	16.20	11.97	-17%
10	Rental Rooms	7.99	8.99	6.64	-17%
11	Paradise Resort Park, Contract Rate	3.94	3.94	3.28	-17%
<b>GALLONS IN MINIMUM</b>					
12	Commercial SS6 And Paradise Park Resort	20,000	20,000	20,000	0%
<b>COMMODITY RATES (Per 1,000 Gallons Over Minimum)</b>					
13	Commercial SS6 And Paradise Park Resort	\$ 1.24	\$ 1.40	\$ 1.03	-17%
<b>ANNUAL FEE FOR INDUSTRIAL DISCHARGE SERVICE</b>					
For Those Customers Consuming An Amount Of Water Less Than Or Equal To 50,000 Gallons Per Month Through One Or More Water Or Equal To 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.					
14		\$ 500.00	\$ 500.00	\$ 500.00	0%
For Those Customers Consuming An Amount Of Water Greater Than 50,000 Gallons Per Month Through One Or More Water Meters To The Same Facility, Inclusive Of Meters Used For Irrigation.					
15		\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	0%
Annual Fee For Industrial Discharge Service Charges Shall Be Non-Refundable And Shall Be Assessed In Advance Each January By The Company By Special Billing. For New Customers Receiving This Service, A Prorated Charge Shall Be Assessed.					

**References:**

Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Surrebuttal Testimony, RLM  
Column (D): Column (C) - Column (A) / Column (A)

Arizona-American Water Company  
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Sun City Wastewater District  
Surrebuttal Schedule RLM-19  
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**SURREBUTTAL  
TYPICAL BILL ANALYSIS  
WASTEWATER SERVICE TO RESIDENTIAL UNITS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED AS FILED</b>						
<u>LINE NO.</u>	<u>USAGE</u>	<u>GALLONS CONSUMED</u>	<u>PRESENT RATES</u>	<u>PROPOSED RATES</u>	<u>DOLLAR INCREASE</u>	<u>PERCENT INCREASE</u>
1	Average	0	\$12.87	\$14.48	\$1.61	12.5%
<b>RUCO SURREBUTTAL PROPOSED</b>						
2	Average	0	\$12.87	\$ 10.70	(\$2.17)	-16.8%
3	Average Number Of Customers:		18,910			

Arizona-American Water Company  
Docket No. W-01303A-02-0867  
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Sun City West Water District

**SURREBUTTAL**  
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RLM-17	1	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-19	1	TYPICAL BILL ANALYSIS

SURREBUTTAL  
REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A)		(B)		(C)		(D)		(E)		(F)		(G)		(H)		(I)	
		COMPANY RCND	ADJMT TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	DIRECT RUCO ORIGINAL COST	SURREBUTTAL RUCO-OCRB ADJUSTMENTS	NO. 1	NO. 2	NO. 3	NO. 4	AS ADJ'TED	SURRE'L RUCO OCRB	NO. 1	NO. 2	NO. 3	NO. 4	AS ADJ'TED	SURRE'L RUCO OCRB	NO. 1
1	Fair Value Rate Base	\$ 16,407,508		\$ 3,575,535	\$ 19,983,043	\$ 11,366,817	\$ 17,253	\$ 0	\$ 0	\$ 0	\$ 11,384,070		\$ 17,253	\$ 0	\$ 0	\$ 0	\$ 11,384,070		\$ 17,253
2	Adjusted Operat'g Income (Loss)	\$ 361,287		\$ 361,287	\$ 452,321	\$ 195	\$ 195	\$ (17,225)		\$ (264)	\$ 435,027		\$ 195	\$ (17,225)		\$ (264)	\$ 435,027		\$ 195
3	Current Rate Of Return (L2 / L1)	2.20%		1.81%	3.98%						3.82%						3.82%		
4	Req. Operat'g Income (L5 X L1)	\$ 1,271,506		\$ 1,548,686	\$ 746,868	\$ 1,132	\$ 1,132	\$ 0		\$ 22,149	\$ 770,149		\$ 1,132	\$ 0		\$ 22,149	\$ 770,149		\$ 1,132
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.57%					0.20%	6.77%					0.20%	6.77%		
6	Operat'g Inc. Def'y (L4 - L2)	\$ 910,219		\$ 1,187,399	\$ 294,546	\$ 941	\$ 941	\$ 17,225		\$ 22,411	\$ 335,123		\$ 941	\$ 17,225		\$ 22,411	\$ 335,123		\$ 941
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286					1.6286	1.6286					1.6286	1.6286		
8	Incr. In Gross Rev. Req't (L7 X L6)	\$ 1,482,414		\$ 1,933,798	\$ 479,708	\$ 1,532	\$ 1,532	\$ 28,053		\$ 36,499	\$ 545,792		\$ 1,532	\$ 28,053		\$ 36,499	\$ 545,792		\$ 1,532
9	Adjusted Test Year Revenue	\$ 3,380,774		\$ 3,380,774	\$ 3,380,774	\$ 0	\$ 0	\$ 0		\$ 0	\$ 3,380,774		\$ 0	\$ 0		\$ 0	\$ 3,380,774		\$ 0
10	Proposed Annual Rev. (L8 + L9)	\$ 4,863,188		\$ 5,314,572	\$ 3,860,482	\$ 1,530	\$ 1,530	\$ 28,055		\$ 36,500	\$ 3,926,566		\$ 1,530	\$ 28,055		\$ 36,500	\$ 3,926,566		\$ 1,530
11	Req'd % Increase In Rev. (L8 / L9)	43.85%		57.20%	14.19%	0.05%	0.05%	0.83%		1.08%	16.14%		0.05%	0.83%		1.08%	16.14%		0.05%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.11%	0.00%	0.00%	0.00%		0.50%	9.61%		0.00%	0.00%		0.50%	9.61%		0.00%

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2
- Column (C): Recalculated After Adjusting To OCRB
- Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19
- Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See Surrebuttal Testimony
- Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries And Wages - See RUCO Surrebuttal Schedules RLM-10
- Column (G): Adjustment No. 3 - SUN CITY WATER DISTRICT ONLY Computation Error In Projected Corporate Overhead - See Surrebuttal Testimony
- Column (H): Adjustment No. 4 - RUCO Revised Cost Of Capital - See William Rigby's Surrebuttal Testimony
- Column (I): Sum Of Columns (D) Thru Column (H)

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4**  
**PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 377,644	\$ 101,964	\$ 275,680	6	\$ 22,560
2	Sun City West W/W	2365	434,380	117,283	317,097	9	26,463
3	Sun City Water	2362	861,122	232,503	628,619	24	53,969
4	Sun City Wastewater	2363	86,478	23,349	63,129	4	5,809
5	Tubac	2389	76,355	20,616	55,739	1	4,509
6	Agua Fria	2361	875,892	236,491	639,401	7	50,629
7	Anthem Water	2381 & 2383	460,581	124,357	336,224	12	28,661
8	Agua Fria, Anthem W/W	2382 & 2384	301,354	81,366	219,988	6	18,299
9	Mohave Water	2371	651,510	175,908	475,602	15	40,059
10	Havasu Water	2373	144,850	39,110	105,741	3	8,824
11	TOTALS		<u>\$ 4,270,166</u>	<u>\$ 1,152,945</u>	<u>\$ 3,117,221</u>	<u>87</u>	<u>\$ 259,782</u>
12	Company Rebuttal		<u>4,270,021</u>	<u>985,673</u>	<u>3,284,348</u>		
13	Difference		<u>\$ 145</u>	<u>\$ 167,272</u>	<u>\$ (151,582)</u>		
	SUN CITY WEST WATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
14	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 347,733	\$ 275,680	\$ (72,053)	\$ (26,061)
15	Rebuttal Adjustment No. 2 Payroll Tax			28,072	22,560	(5,512)	(1,994)
16	TOTAL			<u>\$ 375,805</u>	<u>\$ 298,240</u>	<u>\$ (77,565)</u>	<u>\$ (28,055)</u>
	SUN CITY WEST WASTEWATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
17	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 445,070	\$ 317,097	\$ (127,973)	\$ (11,518)
18	Rebuttal Adjustment No. 2 Payroll Tax			36,253	26,463	(9,790)	(881)
19	TOTAL			<u>\$ 481,323</u>	<u>\$ 343,560</u>	<u>\$ (137,763)</u>	<u>\$ (12,399)</u>
	SUN CITY WATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
20	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 734,448	\$ 628,619	\$ (105,829)	\$ (39,661)
21	Rebuttal Adjustment No. 2 Payroll Tax			62,065	53,969	(8,096)	(33,403)
22	TOTAL			<u>\$ 796,513</u>	<u>\$ 682,588</u>	<u>\$ (113,925)</u>	<u>\$ (73,064)</u>
	SUN CITY WASTEWATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
23	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 88,549	\$ 63,129	\$ (25,420)	\$ (4,727)
24	Rebuttal Adjustment No. 2 Payroll Tax			7,754	5,809	(1,945)	(361)
25	TOTAL			<u>\$ 96,303</u>	<u>\$ 68,938</u>	<u>\$ (27,365)</u>	<u>\$ (5,088)</u>
	TUBAC			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
26	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 59,664	\$ 55,739	\$ (3,925)	\$ (6,067)
27	Rebuttal Adjustment No. 2 Payroll Tax			4,809	4,509	(300)	(464)
28	TOTAL			<u>\$ 64,473</u>	<u>\$ 60,248</u>	<u>\$ (4,225)</u>	<u>\$ (6,531)</u>

References:

Columns (A) (D): Company Rebuttal Workpapers On AZ-AM 2002 Payroll  
Column (B): As Per Company Rebuttal Workpapers On AZ-AM 2002 Payroll - Capitalized Plant Is 27% Of Gross Plant  
Column (C): Column (A) - Column (B)  
Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**SURREBUTTAL  
RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED	(D) PERCENTAGE INCREASE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>					
1	5/8 X 3/4 - Inch	\$ 5.00	\$ 7.23	\$ 5.82	16%
2	3/4 - Inch	5.00	7.23	5.82	16%
3	1 - Inch	13.00	18.80	15.13	16%
4	1 1/2 - Inch	28.00	40.49	32.59	16%
5	2 - Inch	41.00	59.29	47.73	16%
6	3 - Inch	70.00	101.22	81.48	16%
7	4 - Inch	103.00	148.94	119.89	16%
8	6 - Inch	141.00	203.89	164.13	16%
9	Construction (To Be Canceled - N/A)	8.00	N/A	N/A	N/A
10	General Fire Sprinkler Rate 4 - Inch	30.00	43.38	34.92	16%
11	General Fire Sprinkler Rate 6 - Inch	45.00	65.07	52.38	16%
12	General Fire Sprinkler Rate 8 - Inch	60.00	86.76	69.84	16%
13	General Fire Sprinkler Rate 10 - Inch	120.00	173.52	139.68	16%

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES - ALL METERS (Per 1,000 Gallons):**

14	Tier 1 (0 to 8,000 Gallons)	\$ 0.93	\$ 1.34	\$ 1.08	16%
15	Tier 2 (Above 8,001 Gallons)	1.12	1.62	1.30	16%
16	Effluent Sales (Per Acre Foot)	150.00	216.90	174.60	16%
17	CAP - Raw Water (Per 1,000 Gallons)	0.50	0.72	0.58	16%

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

References:  
Columns (A) (B): Company Schedule H-3, Page 3  
Column (C): Surrebuttal Testimony, RLM  
Column (D): Column (C) - Column (A) / Column (A)

**SURREBUTTAL  
TYPICAL BILL ANALYSIS  
RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

		(A)	(B)	(C)	(D)	(E)
<b>COMPANY PROPOSED AS FILED</b>						
LINE NO.	USAGE	GALLONS CONSUMED	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
1	Average	7,102	\$11.60	\$16.75	\$5.14	44.3%
2	Median	5,610	\$10.22	\$14.75	\$4.53	44.3%

**RUCO SURREBUTTAL PROPOSED**

3	Average	7,102	\$11.60	\$13.51	\$1.90	16.4%
4	Median	5,610	\$10.22	\$11.89	\$1.68	16.4%
5	Average Number Of Customers:		14,463			

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company		RUCO	
			Prop'd Rates	% Increase	Prop'd Rates	% Increase
6	0	\$5.00	\$7.23	44.6%	\$5.82	16.4%
7	1,000	5.93	8.57	44.5%	6.90	16.4%
8	2,000	6.86	9.91	44.5%	7.99	16.4%
9	3,000	7.79	11.25	44.4%	9.07	16.4%
10	4,000	8.72	12.59	44.4%	10.15	16.4%
11	5,000	9.65	13.93	44.4%	11.23	16.4%
12	6,000	10.58	15.27	44.3%	12.32	16.4%
13	7,000	11.51	16.61	44.3%	13.40	16.4%
14	8,000	12.44	17.95	44.3%	14.48	16.4%
15	9,000	13.56	19.57	44.3%	15.78	16.4%
16	10,000	14.68	21.19	44.3%	17.09	16.4%
17	15,000	20.28	29.29	44.4%	23.61	16.4%
18	20,000	25.88	37.39	44.5%	30.12	16.4%
19	25,000	31.48	45.49	44.5%	36.64	16.4%
20	50,000	59.48	85.99	44.6%	69.23	16.4%
21	75,000	87.48	126.49	44.6%	101.83	16.4%
22	100,000	115.48	166.99	44.6%	134.42	16.4%
23	125,000	143.48	207.49	44.6%	167.01	16.4%
24	150,000	171.48	247.99	44.6%	199.60	16.4%
25	175,000	199.48	288.49	44.6%	232.19	16.4%
26	200,000	227.48	328.99	44.6%	264.79	16.4%

Arizona-American Water Company  
Docket No. SW-01303A-02-0867  
Test Year Ended December 31, 2001

Sun City West Wastewater District

SURREBUTTAL  
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RLM-17	1	RATE DESIGN - MONTHLY MINIMUM, COMMODITY AND SERVICE CHARGES
RLM-19	1	TYPICAL BILL ANALYSIS

**SURREBUTTAL  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) DIRECT RUCO ORIGINAL COST	(E) NO. 1	(F) NO. 2	(G) NO. 3	(H) NO. 4	(I) AS ADJ'TED
							SURREBUTTAL RUCO -OCRB ADJUSTMENTS			SURR'L RUCO OCRB
1	Fair Value Rate Base	\$ 13,455,978	\$ 5,794,789	\$ 19,250,767	\$ 10,470,538	\$ 70,854	\$ 0	\$ 0	\$ 0	\$ 10,541,392
2	Adjusted Operat'g Income (Loss)	\$ (164,369)		\$ (164,369)	\$ 57,146	\$ 798	\$ (7,613)		\$ (244)	\$ 50,067
3	Current Rate Of Return (L2 / L1)	-1.22%		-0.85%	0.55%					0.48%
4	Req. Operat'g Income (L5 X L1)	\$ 1,042,776		\$ 1,491,934	\$ 687,977	\$ 0	\$ 0		\$ 20,509	\$ 713,141
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.57%				0.20%	6.77%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 1,207,145		\$ 1,656,303	\$ 630,830	\$ 3,858	\$ 7,614		\$ 20,752	\$ 663,054
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.6286	1.6286	1.6286		1.6286	1.6286
8	Incr. In Gross Rev. Req't (L7 X L6)	\$ 1,965,956		\$ 2,697,456	\$ 1,027,392	\$ 6,283	\$ 12,400		\$ 33,775	\$ 1,079,850
9	Adjusted Test Year Revenue	\$ 3,535,680		\$ 3,535,680	\$ 3,535,680	\$ 0	\$ 0		\$ 0	\$ 3,535,680
10	Proposed Annual Rev. (L8 + L9)	\$ 5,494,492		\$ 6,233,136	\$ 4,563,072	\$ 6,283	\$ 12,400		\$ 33,775	\$ 4,615,530
11	Req'd % Increase In Rev. (L8 / L9)	55.60%		76.29%	29.06%	0.18%	0.35%		0.95%	30.54%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.11%	0.00%	0.00%		0.50%	9.61%

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2
- Column (C): Recalculated After Adjusting To OCRB
- Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19
- Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See Surrebuttal Testimony
- Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries And Wages - See RUCO Surrebuttal Schedules RLM-10
- Column (G): Adjustment No. 3 - SUN CITY WATER DISTRICT ONLY Computation Error In Projected Corporate Overhead - See Surrebuttal Testimony
- Column (H): Adjustment No. 4 - RUCO Revised Cost Of Capital - See William Rigby's Surrebuttal Testimony
- Column (I): Sum Of Columns (D) Thru Column (H)

~~SURREBUTTAL~~  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4**  
**PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 377,644	\$ 101,964	\$ 275,680	6	\$ 22,560
2	Sun City West W/W	2365	434,380	117,283	317,097	9	26,463
3	Sun City Water	2362	861,122	232,503	628,619	24	53,969
4	Sun City Wastewater	2363	86,478	23,349	63,129	4	5,809
5	Tubac	2389	76,355	20,616	55,739	1	4,509
6	Agua Fria	2361	875,892	236,491	639,401	7	50,629
7	Anthem Water	2381 & 2383	460,581	124,357	336,224	12	28,661
8	Agua Fria, Anthem W/W	2382 & 2384	301,354	81,366	219,988	6	18,299
9	Mohave Water	2371	651,510	175,908	475,602	15	40,059
10	Havasut Water	2373	144,850	39,110	105,741	3	8,824
11	TOTALS		<u>\$ 4,270,166</u>	<u>\$ 1,152,945</u>	<u>\$ 3,117,221</u>	<u>87</u>	<u>\$ 259,782</u>
12	Company Rebuttal		4,270,021	985,673	3,284,348		
13	Difference		<u>\$ 145</u>	<u>\$ 167,272</u>	<u>\$ (151,582)</u>		
	SUN CITY WEST WATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
14	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 347,733	\$ 275,680	\$ (72,053)	\$ (26,061)
15	Rebuttal Adjustment No. 2 Payroll Tax			28,072	22,560	(5,512)	(1,994)
16	TOTAL			<u>\$ 375,805</u>	<u>\$ 298,240</u>	<u>\$ (77,565)</u>	<u>\$ (28,055)</u>
	SUN CITY WEST WASTEWATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
17	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 445,070	\$ 317,097	\$ (127,973)	\$ (11,518)
18	Rebuttal Adjustment No. 2 Payroll Tax			36,253	26,463	(9,790)	(881)
19	TOTAL			<u>\$ 481,323</u>	<u>\$ 343,560</u>	<u>\$ (137,763)</u>	<u>\$ (12,399)</u>
	SUN CITY WATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
20	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 734,448	\$ 628,619	\$ (105,829)	\$ (39,661)
21	Rebuttal Adjustment No. 2 Payroll Tax			62,065	53,969	(8,096)	(33,403)
22	TOTAL			<u>\$ 796,513</u>	<u>\$ 682,588</u>	<u>\$ (113,925)</u>	<u>\$ (73,064)</u>
	SUN CITY WASTEWATER			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
23	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 88,549	\$ 63,129	\$ (25,420)	\$ (4,727)
24	Rebuttal Adjustment No. 2 Payroll Tax			7,754	5,809	(1,945)	(361)
25	TOTAL			<u>\$ 96,303</u>	<u>\$ 68,938</u>	<u>\$ (27,365)</u>	<u>\$ (5,088)</u>
	TUBAC			COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
26	Rebuttal Adjustment No. 1 Salaries And Wages			\$ 59,664	\$ 55,739	\$ (3,925)	\$ (6,067)
27	Rebuttal Adjustment No. 2 Payroll Tax			4,809	4,509	(300)	(464)
28	TOTAL			<u>\$ 64,473</u>	<u>\$ 60,248</u>	<u>\$ (4,225)</u>	<u>\$ (6,531)</u>

References:

Columns (A) (D): Company Rebuttal Workpapers On AZ-AM 2002 Payroll

Column (B): As Per Company Rebuttal Workpapers On AZ-AM 2002 Payroll - Capitalized Plant Is 27% Of Gross Plant

Column (C): Column (A) - Column (B)

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

Arizona-American Water Company  
Docket No. SW-01303A-02-0867  
Test Year Ended December 31, 2001

Sun City West Wastewater District  
Surrebuttal Schedule RLM-19  
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~~SURREBUTTAL~~  
**TYPICAL BILL ANALYSIS**  
**WASTEWATER SERVICE TO RESIDENTIAL UNITS**

<b>COMPANY PROPOSED AS FILED</b>						
LINE NO.	USAGE	(A) GALLONS CONSUMED	(B) PRESENT RATES	(C) PROPOSED RATES	(D) DOLLAR INCREASE	(E) PERCENT INCREASE
1	Average	0	\$16.24	\$25.27	\$9.03	55.6%
<b>RUCO SURREBUTTAL PROPOSED</b>						
2	Average	0	\$16.24	\$ 21.20	\$4.96	30.6%
3	Average Number Of Customers:		14,316			

Arizona-American Water Company  
Docket No. W-01303A-02-0867  
Test Year Ended December 31, 2001

Tubac Water District

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RLM-19	1	TYPICAL BILL ANALYSIS

SURREBUTTAL  
REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A)		(B)		(C)		(D)		(E)		(F)		(G)		(H)		(I)	
		COMPANY RCND		ADJMT TO RESTATE TO ORIGINAL COST		COMPANY ORIGINAL COST		DIRECT RUCO ORIGINAL COST		NO. 1		NO. 2		NO. 3		NO. 4		AS ADJUSTED	
1	Fair Value Rate Base	\$ 1,903,764		\$ (289,243)		\$ 1,614,521		\$ 1,172,012		\$ 1,397		\$ 0		\$ 0		\$ 0		\$ 1,173,409	
2	Adjusted Operat'g Income (Loss)	\$ 14,583				\$ 14,583		\$ 44,735		\$ 9		\$ (5,164)				\$ (15)		\$ 39,565	
3	Current Rate Of Return (L2 / L1)	0.77%				0.90%		3.82%										3.37%	
4	Req. Operat'g Income (L5 X L1)	\$ 147,501				\$ 125,125		\$ 77,008		\$ 92		\$ 0				\$ 2,283		\$ 79,383	
5	Req'd Rate Of Return On FVRB	7.75%				7.75%		6.57%								0.20%		6.77%	
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918				\$ 110,542		\$ 32,273		\$ 83		\$ 5,164				\$ 2,298		\$ 39,818	
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286				1.6286		1.2646		1.2646		1.2646				1.2646		1.2646	
8	Incr. In Gross Rev. Req't (L7 X L6)	\$ 216,475				\$ 180,029		\$ 40,812		\$ 105		\$ 6,530				\$ 2,906		\$ 50,353	
9	Adjusted Test Year Revenue	\$ 254,486				\$ 254,486		\$ 254,486		\$ 0		\$ 0				\$ 0		\$ 254,486	
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847				\$ 434,515		\$ 295,298		\$ 105		\$ 6,530				\$ 2,906		\$ 304,839	
11	Req'd % Increase In Rev. (L8 / L9)	85.06%				70.74%		16.04%		0.04%		2.56%				1.14%		19.79%	
12	Rate Of Return On Common Eq'ty	11.50%				11.50%		9.11%		0.00%		0.00%				0.50%		9.61%	

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): RUCO Schedule RLM-2
- Column (C): Recalculated After Adjusting To OCRB
- Column (D): RUCO Schedules RLM-3, RLM-6 And RLM-19
- Column (E): Adjustment No. 1 - Computation Error In Direct Plant Schedules - See Surrebuttal Testimony
- Column (F): Adjustment No. 2 - Computation Error In Direct Gross Salaries And Wages - See RUCO Surrebuttal Schedules RLM-10
- Column (G): Adjustment No. 3 - SUN CITY WATER DISTRICT ONLY Computation Error In Projected Corporate Overhead - See Surrebuttal Testimony
- Column (H): Adjustment No. 4 - RUCO Revised Cost Of Capital - See William Rigsby's Surrebuttal Testimony
- Column (I): Sum Of Columns (D) Thru Column (H)

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4**  
**PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	AZ-AM BUSINESS UNIT	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	2364	\$ 377,644	\$ 101,964	\$ 275,680	6	\$ 22,560
2	Sun City West W/W	2365	434,380	117,283	317,097	9	26,463
3	Sun City Water	2362	861,122	232,503	628,619	24	53,969
4	Sun City Wastewater	2363	86,478	23,349	63,129	4	5,809
5	Tubac	2389	76,355	20,616	55,739	1	4,509
6	Agua Fria	2361	875,892	236,491	639,401	7	50,629
7	Anthem Water	2381 & 2383	460,581	124,357	336,224	12	28,661
8	Agua Fria, Anthem W/W	2382 & 2384	301,354	81,366	219,988	6	18,299
9	Mohave Water	2371	651,510	175,908	475,602	15	40,059
10	Havasu Water	2373	144,850	39,110	105,741	3	8,824
11	TOTALS		<u>\$ 4,270,166</u>	<u>\$ 1,152,945</u>	<u>\$ 3,117,221</u>	<u>87</u>	<u>\$ 259,782</u>
12	Company Rebuttal		4,270,021	985,673	3,284,348		
13	Difference		<u>\$ 145</u>	<u>\$ 167,272</u>	<u>\$ (151,582)</u>		

	COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
14	\$ 347,733	\$ 275,680	\$ (72,053)	\$ (26,061)
15	28,072	22,560	(5,512)	(1,994)
16	<u>\$ 375,805</u>	<u>\$ 298,240</u>	<u>\$ (77,565)</u>	<u>\$ (28,055)</u>

	COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
17	\$ 445,070	\$ 317,097	\$ (127,973)	\$ (11,518)
18	36,253	26,463	(9,790)	(881)
19	<u>\$ 481,323</u>	<u>\$ 343,560</u>	<u>\$ (137,763)</u>	<u>\$ (12,399)</u>

	COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
20	\$ 734,448	\$ 628,619	\$ (105,829)	\$ (39,661)
21	62,065	53,969	(8,096)	(33,403)
22	<u>\$ 796,513</u>	<u>\$ 682,588</u>	<u>\$ (113,925)</u>	<u>\$ (73,064)</u>

	COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
23	\$ 88,549	\$ 63,129	\$ (25,420)	\$ (4,727)
24	7,754	5,809	(1,945)	(361)
25	<u>\$ 96,303</u>	<u>\$ 68,938</u>	<u>\$ (27,365)</u>	<u>\$ (5,088)</u>

	COMPANY AS FILED	RUCO SURREBUTTAL	REVISED ADJUSTMENT	SURREBUTTAL DIFFERENCE
26	\$ 59,664	\$ 55,739	\$ (3,925)	\$ (6,067)
27	4,809	4,509	(300)	(464)
28	<u>\$ 64,473</u>	<u>\$ 60,248</u>	<u>\$ (4,225)</u>	<u>\$ (6,531)</u>

References:

Columns (A) (D): Company Rebuttal Workpapers On AZ-AM 2002 Payroll  
Column (B): As Per Company Rebuttal Workpapers On AZ-AM 2002 Payroll - Capitalized Plant is 27% Of Gross Plant  
Column (C): Column (A) - Column (B)  
Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA)

**SURREBUTTAL  
RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED	(D) PERCENTAGE INCREASE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>					
1	5/8 X 3/4 - Inch	\$ 15.35	\$ 28.58	\$ 18.43	20%
2	3/4 - Inch	15.35	28.58	18.43	20%
3	1 - Inch	23.00	42.83	27.62	20%
4	1 1/2 - Inch	46.00	85.66	55.23	20%
5	2 - Inch	76.00	141.52	91.25	20%
6	3 - Inch	90.00	167.59	108.06	20%
7	4 - Inch	132.00	245.79	158.48	20%
8	6 - Inch	180.00	335.17	216.11	20%
9	8 - Inch	N/A	2,858.00	1,842.75	N/A

NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE

**COMMODITY RATES - ALL METERS (Per 1,000 Gallons):**

10	Tier 1 (0 to 8,000 Gallons)	\$ 1.66	\$ 3.09	\$ 1.99	20%
11	Tier 2 (Above 8,001 Gallons)	2.04	3.79	2.45	20%

In Addition, Company Shall Collect Groundwater Saving Fee Per Decision No. 62203  
Ground Waterdrawal Fees Shall Be Collected As An Assessment,  
And Is Subject To Annual Revisions As Required Due To Changes  
In Rates Charged By The Arizona Department Of Water Resources (ADWR).  
Includes An Allowance Of 10% Lost And Unaccounted For Water.

**SURREBUTTAL  
TYPICAL BILL ANALYSIS  
RESIDENTIAL WATER SERVICE TO 5/8 X 3/4 INCH METERS**

LINE NO.	USAGE	(A) COMPANY PROPOSED AS FILED GALLONS CONSUMED	(B) PRESENT RATES	(C) PROPOSED RATES	(D) DOLLAR INCREASE	(E) PERCENT INCREASE
1	Average	13,177	\$39.19	\$72.92	\$33.73	86.06%
2	Median	7,535	\$27.86	\$51.86	\$24.00	86.17%

**RUCO SURREBUTTAL PROPOSED**

3	Average	13,177	\$39.19	\$47.05	\$7.86	20.05%
4	Median	7,535	\$27.86	\$33.44	\$5.59	20.05%
5	Average Number Of Customers:		401			

**PRESENT AND PROPOSED RATES (WITHOUT TAXES)**

	Gallons Consumed	Present Rates	Company		RUCO	
			Prop'd Rates	% Increase	Prop'd Rates	% Increase
6	0	\$15.35	\$28.58	86.2%	\$18.43	20.0%
7	1,000	17.01	31.67	86.2%	20.42	20.0%
8	2,000	18.67	34.76	86.2%	22.41	20.0%
9	3,000	20.33	37.85	86.2%	24.41	20.0%
10	4,000	21.99	40.94	86.2%	26.40	20.0%
11	5,000	23.65	44.03	86.2%	28.39	20.0%
12	6,000	25.31	47.12	86.2%	30.38	20.0%
13	7,000	26.97	50.21	86.2%	32.38	20.0%
14	8,000	28.63	53.30	86.2%	34.37	20.0%
15	9,000	30.67	57.09	86.1%	36.82	20.0%
16	10,000	32.71	60.88	86.1%	39.27	20.0%
17	15,000	42.91	79.83	86.0%	51.51	20.0%
18	20,000	53.11	98.78	86.0%	63.76	20.0%
19	25,000	63.31	117.73	86.0%	76.00	20.0%
20	50,000	114.31	212.48	85.9%	137.23	20.0%
21	75,000	165.31	307.23	85.9%	198.45	20.0%
22	100,000	216.31	401.98	85.8%	259.68	20.0%
23	125,000	267.31	496.73	85.8%	320.90	20.0%
24	150,000	318.31	591.48	85.8%	382.13	20.0%
25	175,000	369.31	686.23	85.8%	443.35	20.0%
26	200,000	420.31	780.98	85.8%	504.58	20.0%

**EXHIBIT**

*R-5*  
*Admitted*

**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-02-0867 et al.**

**DIRECT TESTIMONY**

**OF**

**WILLIAM A. RIGSBY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**SEPTEMBER 5, 2003**

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**INTRODUCTION**

Q. Please state your name, occupation, and business address.

A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and your qualifications in the field of utilities regulation.

A. Appendix I, which is attached to this testimony, describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Arizona-American Water Company's ("Arizona-American" or "Company") application for a permanent rate increase ("Application") for the Company's water and wastewater operations located in Maricopa, Mohave, and Santa Cruz counties. The systems and their respective rate increase requests are as follows:

Sun City Water	\$5,366,367
Sun City Wastewater	\$636,236

1	Sun City West Water	\$1,479,624
2	Sun City West Wastewater	\$1,963,624
3	Anthem Water	\$299,082
4	Anthem Wastewater	\$438,989
5	Agua Fria Water	\$417,889
6	Lake Havasu Water	\$199,384
7	Mohave Water	\$623,527
8	Tubac Water	\$216,475

9  
10 Arizona-American's applications for the aforementioned systems were  
11 filed with the Arizona Corporation Commission ("ACC" or "Commission")  
12 on November 22 and December 13, 2002. During the 2001 test year  
13 ("Test Year") Arizona-American provided water service to approximately  
14 74,000 customers in the Company's service territories.

15  
16 Q. Please explain your role in RUCO's analysis of Arizona-American's  
17 application.

18 A. I reviewed Arizona-American's application and performed a cost of capital  
19 analysis to determine a fair rate of return on Arizona-American's equity  
20 capital, cost of debt, and capital structure. The recommendations  
21 contained in this testimony are based on information obtained from the  
22 Company through written data requests, phone conversations with

1 Company witnesses and on research that I conducted during my cost of  
2 capital analysis.

3  
4 Q. Were you also responsible for conducting an analysis of Arizona-  
5 American's proposed revenue level, rate base, and rate design?

6 A. No. RUCO witnesses Marylee Diaz-Cortez, Timothy J. Coley and Rodney  
7 L. Moore have filed direct testimony addressing those issues, which are  
8 associated with Arizona-American's Application.

9  
10 Q. What areas will you address in your testimony?

11 A. I will address the cost of capital issues associated with the case.

12  
13 Q. Please identify the exhibits that you are sponsoring.

14 A. I am sponsoring Schedules WAR-1 through WAR-10.

15  
16 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

17 Q. Briefly summarize how your cost of capital testimony is organized.

18 A. My cost of capital testimony is organized into four sections. First, I will  
19 present the findings of my cost of equity capital analysis, in which I utilized  
20 both the discounted cash flow ("DCF") and capital asset pricing model  
21 ("CAPM") methodologies. These are the two most commonly used  
22 methods for calculating the cost of equity capital in rate case proceedings

1 and are generally regarded as the most reliable<sup>1</sup>. In this first section I will  
2 also provide a brief overview of the current economic climate that Arizona-  
3 American is operating in. Second, I will explain how I arrived at my  
4 recommended cost of debt. Third, I will compare my recommended  
5 capital structure with the Company proposed capital structure. Fourth, I  
6 will comment on Arizona-American's cost of capital testimony. Schedules  
7 WAR-1 through WAR-10 support my cost of capital analysis.  
8

9 Q. Please summarize the recommendations and adjustments that you will  
10 address in your testimony.

11 A. Based on the results of my analysis of Arizona-American, I am making the  
12 following recommendations:

13  
14 Cost of Equity Capital – I am recommending a 9.11 percent cost of equity  
15 capital. The 9.11 percent figure is based on the results of my cost of  
16 equity analysis, which used both the DCF and CAPM methodologies.  
17

18 Cost of Long-Term Debt – I am recommending a 4.87 percent cost of  
19 long-term debt. This 4.87 percent figure is based on my review of the  
20 long-term debt which was used to finance Company assets during the

---

<sup>1</sup> A. Lawrence Kolbe and James A Read Jr., The Cost of Capital – Estimating the Rate of Return for Public Utilities, The MIT Press: Cambridge, Massachusetts, 1984, pp. 35-94.

1        2001 Test Year.

2  
3        Common Equity – I am recommending that the December 31, 2001 Test  
4        Year level of \$110,888,158 in common equity, be adopted by the ACC.

5  
6        Cost of Capital – Based on the results of my capital structure, cost of  
7        common equity, and debt analyses, I am recommending a 6.57 percent  
8        cost of capital for Arizona-American. This figure represents the weighted  
9        cost of both the Company's debt and common equity.

10  
11    Q.    Why do you believe that your recommended 6.57 percent cost of capital is  
12        an appropriate rate of return for Arizona-American to earn on its invested  
13        capital?

14    A.    The 6.57 percent cost of capital figure that I have recommended meets  
15        the criteria established in the landmark Supreme Court cases of Bluefield  
16        Water Works & Improvement Co. v. Public Service Commission of West  
17        Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope  
18        Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two  
19        cases affirmed that a public utility, that is efficiently and economically  
20        managed, is entitled to a return on investment that instills confidence in its  
21        financial soundness, allows the utility to attract capital, and also allows the  
22        utility to perform its duty to provide service to ratepayers. The rate of

1 return adopted for the utility should also be comparable to a return that  
2 investors would expect to receive from investments with similar risk.

3 The Hope decision allows for the rate of return to cover both the operating  
4 expenses and the "capital costs of the business" which includes interest  
5 on debt and dividend payment to shareholders. This is predicated on the  
6 belief that, in the long run, a company that cannot meet its debt obligations  
7 and provide its shareholders with an adequate rate of return will not  
8 continue to supply adequate public utility service to ratepayers.

9  
10 Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient  
11 to cover all operating and capital costs is guaranteed?

12 A. No. Neither case guarantees a rate of return on utility investment. What  
13 the Bluefield and Hope decisions *do allow*, is for a utility to be provided  
14 with the *opportunity* to earn a reasonable rate of return on its investment.  
15 That is to say that a utility, such as Arizona-American, is provided with the  
16 opportunity to earn an appropriate rate of return if the Company's  
17 management exercises good judgment and manages its assets and  
18 resources in a manner that is both prudent and economically efficient.

**COST OF EQUITY CAPITAL**

Q. What is your recommended cost of equity capital for Arizona-American?

A. Based on the results of my DCF and CAPM analyses, which ranged from 6.79 percent to 9.11 percent, I am recommending a 9.11 percent cost of equity capital for Arizona-American. The 9.11 percent figure was derived from my DCF analysis, which should be given the greatest weight in establishing a final estimate.

**Discounted Cash Flow (DCF) Method**

Q. Please explain the DCF method that you used to estimate Arizona-American's cost of equity capital.

A. The DCF method employs a stock valuation model that is often referred to as either the constant growth valuation model or the Gordon<sup>2</sup> model. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

---

<sup>2</sup> Named after Dr. Myron J. Gordon, the professor of finance who developed the model.

1 Another way of looking at the investor's cost of capital is to consider it from  
2 the standpoint of a company that is offering its shares of stock to the  
3 investing public. In order to raise capital, through the sale of common  
4 stock, a company must provide a required rate of return on its stock that  
5 will attract investors to commit funds to that particular investment. In this  
6 respect, the terms "cost of capital" and "investor's required return" are one  
7 in the same. For common stock, this required return is a function of the  
8 dividend that is paid on the stock. The investor's required rate of return  
9 can be expressed as the percentage of the dividend that is paid on the  
10 stock (dividend yield) plus an expected rate of future dividend growth.  
11 This is illustrated in mathematical terms by the following formula:

$$k = (D_1 \div P_0) + g$$

14 where:  $k$  = the required return (cost of equity, equity  
15 capitalization rate),

16  $D_1 \div P_0$  = the dividend yield of a given share of stock  
17 calculated by dividing the expected dividend by  
18 the current market price of the given share of  
19 stock, and

20  $g$  = the expected rate of future dividend growth.

1 This formula is the basis for the standard growth valuation model that I  
2 used to determine Arizona-American's cost of equity capital. It is similar to  
3 the model that was used by the Company.

4  
5 Q. In determining the rate of future dividend growth for Arizona-American,  
6 what assumptions did you make?

7 A. There are two primary assumptions regarding dividend growth that must  
8 be made when using the DCF method. First, dividends will grow by a  
9 constant rate into perpetuity, and second, the dividend payout ratio will  
10 remain at a constant rate. Both of these assumptions are predicated on  
11 the traditional DCF model's basic underlying assumption that a company's  
12 earnings, dividends, book value and share growth all increase at the same  
13 constant rate of growth into infinity. Given these assumptions, if the  
14 dividend payout ratio remains constant, so does the earnings retention  
15 ratio (the percentage of earnings that are retained by the company as  
16 opposed to being paid out in dividends). This being the case, a  
17 company's dividend growth can be measured by multiplying its retention  
18 ratio (1 - dividend payout ratio) by its book return on equity. This can be  
19 stated as  $g = b \times r$ .

Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.<sup>3</sup>

Table I

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
Book Value	\$10.00	\$10.40	\$10.82	\$11.25	\$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	\$1.00	\$1.04	\$1.082	\$1.125	\$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	\$0.60	\$0.624	\$0.649	\$0.675	\$0.702	4.00%

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of \$10.00 per share, an investor-expected equity return of ten percent, and a dividend payout ratio of sixty percent. This results in earnings per share of \$1.00 (\$10.00 book value x 10 percent equity return) and a dividend of \$0.60 (\$1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book

<sup>3</sup> Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

1 value increases to \$10.40 in Year 2 of Mr. Hill's illustration. Table I  
2 presents the results of this continuing scenario over the remaining five-  
3 year period.

4 The results displayed in Table I demonstrate that under "steady-state" (i.e.  
5 constant) conditions, book value, earnings and dividends all grow at the  
6 same constant rate. The table further illustrates that the dividend growth  
7 rate, as discussed earlier, is a function of (1) the internally generated  
8 funds or earnings that are retained by a company to become new equity,  
9 and (2) the return that an investor earns on that new equity. The DCF  
10 dividend growth rate, expressed as  $g = b \times r$ , is also referred to as the  
11 internal or sustainable growth rate.

12  
13 Q. If earnings and dividends both grow at the same rate as book value,  
14 shouldn't that rate be the sole factor in determining the DCF growth rate?

15 A. No. Possible changes in the expected rate of return on either common  
16 equity or the dividend payout ratio make earnings and dividend growth by  
17 themselves unreliable. This can be seen in the continuation of Mr. Hill's  
18 illustration on a hypothetical utility.

Table II

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
Book Value	\$10.00	\$10.40	\$10.82	\$11.47	\$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	\$1.00	\$1.04	\$1.623	\$1.720	\$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	\$0.60	\$0.624	\$0.974	\$1.032	\$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent<sup>4</sup> exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.<sup>5</sup> If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rates for earnings and dividends, displayed in the last column, are 16.20 percent. If this rate were to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years,  $[(15 \text{ percent} \div 10 \text{ percent}) - 1]$ . This is clearly an unrealistic expectation.

<sup>4</sup>  $[(\text{Year 2 Earnings/Sh} - \text{Year 1 Earnings/Sh}) \div \text{Year 1 Earnings/Sh}] = [(\$1.04 - \$1.00) \div \$1.00] = [\$0.04 \div \$1.00] = \underline{4.00\%}$

<sup>5</sup>  $[(1 - \text{Payout Ratio}) \times \text{Rate of Return}] = [(1 - 0.60) \times 15.00\%] = 0.40 \times 15.00\% = \underline{6.00\%}$

1 Although it is not illustrated in Mr. Hill's hypothetical example, a change in  
2 only the dividend payout ratio will eventually result in a utility paying out  
3 more in dividends than it earns. While it is not uncommon for a utility in  
4 the real world to have a dividend payout ratio that exceeds one hundred  
5 percent on occasion, it would be unrealistic to expect the practice to  
6 continue over a sustained long-term period of time.

7  
8 Q. Other than the retention of internally generated funds, as illustrated in Mr.  
9 Hill's hypothetical example, are there any other sources of new equity  
10 capital that can influence an investor's growth expectations for a given  
11 company?

12 A. Yes, a company can raise new equity capital externally. The best  
13 example of external funding would be the sale of new shares of common  
14 stock. This would create additional equity for the issuer and is often the  
15 case with utilities that are either in the process of acquiring smaller  
16 systems or providing service to rapidly growing areas.

17  
18 Q. How does external equity financing influence the growth expectations held  
19 by investors?

20 A. Rational investors will put their available funds into investments that will  
21 either meet or exceed their given cost of capital (i.e. the return earned on  
22 their investment). In the case of a utility, the book value of a company's

1 stock usually mirrors the equity portion of its rate base (the utility's earning  
2 base). Because regulators allow utilities the opportunity to earn a  
3 reasonable rate of return on rate base, an investor would take into  
4 consideration the effect that a change in book value would have on the  
5 rate of return that he or she would expect the utility to earn. If an investor  
6 believes that a utility's book value (i.e. the utility's earning base) will  
7 increase, then he or she would expect the return on the utility's common  
8 stock to increase. If this positive trend in book value continues over an  
9 extended period of time, an investor would have a reasonable expectation  
10 for sustained long-term growth.

11  
12 Q. Please provide an example of how external financing affects a utility's  
13 book value of equity.

14 A. As I explained earlier, one way that a utility can increase its equity is by  
15 selling new shares of common stock on the open market. If these new  
16 shares are purchased at prices that are higher than those shares sold  
17 previously, the utility's book value per share will increase in value. This  
18 would increase both the earnings base of the utility and the earnings  
19 expectations of investors. However, if new shares sold at a price below  
20 the pre-sale book value per share, the after-sale book value per share  
21 declines in value. If this downward trend continues over time, investors  
22 might view this as a decline in the utility's sustainable growth rate and will

1 have lower expectations regarding growth. Using this same logic, if a new  
2 stock issue sells at a price per share that is the same as the pre-sale book  
3 value per share, there would be no impact on either the utility's earnings  
4 base or investor expectations.

5  
6 Q. Please explain how the external component of the DCF growth rate is  
7 determined.

8 A. In his book, *The Cost of Capital to a Public Utility*,<sup>6</sup> Dr. Myron Gordon, the  
9 individual responsible for the development of the DCF or constant growth  
10 model, identified a growth rate that includes both expected internal and  
11 external financing components. The mathematical expression for Dr.  
12 Gordon's growth rate is as follows:

13  
14 
$$g = ( br ) + ( sv )$$

15 where:      g      =      DCF expected growth rate,  
16              b      =      the earnings retention ratio,  
17              r      =      the return on common equity,  
18              s      =      the fraction of new common stock sold that  
19                              accrues to a current shareholder, and  
20              v      =      funds raised from the sale of stock as a fraction  
21                              of existing equity.

---

<sup>6</sup> Gordon, M.J., *The Cost of Capital to a Public Utility*, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

1           and            $v = 1 - [ ( BV ) \div ( MP ) ]$

2           where:       BV     =     book value per share of common stock, and

3                       MP     =     the market price per share of common stock.

4  
5       Q.     Did you include the effect of external equity financing on long-term growth  
6             rate expectations in your analysis of expected dividend growth for the DCF  
7             model?

8       A.     Yes. The external growth rate estimate (sv) is displayed on Page 1 of  
9             Schedule WAR-5, where it is added to the internal growth rate estimate  
10            (br) to arrive at a final sustainable growth rate estimate.

11  
12      Q.     Please explain why your calculation of external growth on page 2 of  
13             Schedule WAR-5, is the current market-to-book ratio averaged with 1.0 in  
14             the equation  $[(M \div B) + 1] \div 2$ .

15      A.     The market price of a utility's common stock will tend to move toward book  
16             value, or a market-to-book ratio of 1.0, if regulators allow a rate of return  
17             that is equal to the cost of capital (one of the desired effects of regulation).  
18             As a result of this situation, I used  $[(M \div B) + 1] \div 2$  as opposed to the  
19             current market-to-book ratio by itself to represent investor's expectations  
20             that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

1 Q. In determining your dividend growth rate estimate, you analyzed the data  
2 on three water companies. Why did you use this methodology as  
3 opposed to a direct analysis of Arizona-American?

4 A. Although American depository shares<sup>7</sup> ("ADS") of Arizona-American's  
5 parent Company, German firm RWE AG, are publicly-traded on the over  
6 the counter market ("OTC") the corporation is not followed by Value Line  
7 Investment Survey ("Value Line"). Consequently, I was unable to obtain  
8 comparable data that would have allowed me to perform a more  
9 meaningful analysis. However, this is not a problem in this case since I  
10 believe it is fair to say that the publicly-traded water companies included in  
11 my proxy have similar risk characteristics to RWE's Arizona-American  
12 operating segment.

13  
14 Q. What criteria did you use in selecting the water companies that make up  
15 your proxy for Arizona-American?

16 A. Each of the water companies used in the proxy are followed by Value Line  
17 and comprise Value Line's Water Utility Industry segment of the U.S.  
18 economy.

19  

---

<sup>7</sup> American depository shares or ADS are shares of foreign-based corporations that are issued under a deposit agreement that represents the underlying ordinary share of stock, which trades in the issuer's home market. The terms American depository shares and American depository receipts, or ADR, are interchangeable. Technically the ADS is the instrument that is actually traded while the ADR is the certificate that represents a number of ADS's.

1 Q. Are these the same water companies that Arizona-American used in its  
2 application?

3 A. Yes, Arizona-American used all of the water companies included in my  
4 proxy in its analysis.

5  
6 Q. In determining your dividend growth rate estimates, both you and the  
7 Company's witness analyzed the data on publicly-traded water utilities.  
8 Why did you and the Company witness analyze publicly-traded water  
9 utilities as opposed to firms that provide wastewater service?

10 A. The use of water utilities was necessitated by the fact that there is a lack  
11 of financial and market information available on stand-alone wastewater  
12 utilities. This in itself is not a problem, given the fact that both water and  
13 wastewater utilities share similar risk characteristics. Both types of utilities  
14 provide a basic service for which there are no substitutes and are also  
15 subject to strict federal and state regulations.

16  
17 Q. Are there any other advantages to the use of a proxy?

18 A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope  
19 decision that a utility is entitled to earn a rate of return that is  
20 commensurate with the returns on investments of other firms with  
21 comparable risk. The proxy technique that I have used derives that rate of  
22 return. One other advantage to using a sample of companies is that it

1 reduces the possible impact that any undetected biases, anomalies, or  
2 measurement errors may have on the DCF growth estimate.

3  
4 Q. Please explain your DCF growth rate calculations for the sample  
5 companies used in your proxy.

6 A. Schedule WAR-6 provides retention ratios, returns on book equity, internal  
7 growth rates, book values per share, numbers of shares outstanding, and  
8 the compounded share growth for each of the utilities included in the  
9 sample for the period 1998 to 2002. Schedule WAR-6 also includes Value  
10 Line's projected 2003, 2004, and 2006-2008 values for the retention ratio,  
11 equity return, book value per share growth rate, and number of shares  
12 outstanding.

13  
14 Q. Please describe how you used the information displayed in Schedule  
15 WAR-6 to estimate each comparable utility's dividend growth rate.

16 A. In explaining my analysis, I will use American States Water Company,  
17 NYSE symbol AWR, as an example. The first dividend growth component  
18 that I evaluated was the internal growth rate. I used the "b x r" formula  
19 (page 10) to multiply AWR's earned return on common equity by its  
20 earnings retention ratio for each year 1998 through 2002 to derive the  
21 utility's annual internal growth rates. I used the mean average of this five-  
22 year period as a benchmark against which I compared the 2003 internal

1 growth rate and projected growth rate trends provided by Value Line.  
2 Because an investor is more likely to be influenced by recent growth  
3 trends, as opposed to historical averages, the five-year mean noted earlier  
4 was used only as a benchmark figure. As shown on Schedule WAR-6,  
5 AWR's sustainable internal growth rate averaged 2.99 percent from 1998  
6 to 2002. This average 2.99 percent figure reflects an upward trend that  
7 occurred in the first four years of the observation period followed by a 7.00  
8 percent drop to 3.33% recorded in 2002. During the 1998-2001 time  
9 frame, the company's growth rate consistently increased from a low of  
10 2.09% in 1998, to a high of 3.59% in 2001. Value Line is predicting a  
11 further decline to 2.75% for 2003 with projected increases ranging from  
12 3.60% in 2004 to 4.70% during the 2006-2008 time frame. However, after  
13 weighing Value Line's 6.00% earnings and 2.00% dividend projections, I  
14 believe that a 4.60% rate of growth would appear to be more realistic.  
15

16 Q. Please continue with the external growth rate component portion of your  
17 analysis.

18 A. Schedule WAR-6 demonstrates that despite the drop in AWR's  
19 sustainable internal growth rate in 2002, the pattern of shares outstanding  
20 increased from 13.44 million to 15.18 from 1998 to 2002. Value Line is  
21 predicting that this level will increase to 16.80 million in 2003 and remain  
22 constant through 2008. Still, some share growth is possible so I believe

1       that a 0.25% growth in shares is not unreasonable for AWR. My final  
2       dividend growth rate estimate for AWR is 4.70 percent (4.60 percent  
3       internal + 0.10 percent external) and is shown on Page 1 of Schedule  
4       WAR-5.

5  
6   Q.   What is your average dividend growth rate estimate using the DCF model  
7       for the sample water utilities?

8   A.   Based on the DCF model; my average dividend growth rate estimate is  
9       5.97 percent as displayed on Page 1 of Schedule WAR-5.

10  
11 Q.   How does your average dividend growth rate compare to the growth rate  
12       data of other publicly-traded firms?

13 A.   Overall my estimate is higher than the projections of analysts at Zacks  
14       Investment Research, Inc. ("Zacks") and more optimistic than the  
15       projections of analysts at Value Line. Schedule WAR-7 compares my  
16       sustainable growth estimates with the five-year projections of both Zacks  
17       and Value Line. The 5.97 percent estimate that I have calculated is 130  
18       basis points higher than the projected EPS average of 4.67 percent for  
19       Zacks and 19 basis points higher than the 5.78 percent for Value Line  
20       (which is an average of EPS, DPS and BVPS). My 5.97 percent estimate  
21       is 258 basis points higher than the five-year compound historical average  
22       also displayed in Schedule WAR-7. This indicates that investors are

1 expecting increased performance from water utilities in the future. On  
2 balance, I would say my 5.97 percent estimate is a good representation of  
3 the growth projections that are available to the investing public.  
4

5 Q. How did you calculate the dividend yields displayed in Schedule WAR-4?

6 A. I used the estimated annual dividends, for the next twelve-month period,  
7 that appeared in the August 1, 2003 Ratings and Reports water utility  
8 update of The Value Line Investment Survey. I then divided that figure by  
9 the eight-week average price per share of the appropriate utility's common  
10 stock. The eight-week average price is based on the daily closing stock  
11 prices for each utility for the period June 19, 2003 to August 1, 2003.  
12

13 Q. Based on the results of your DCF analysis, what is your cost of equity  
14 capital estimate for the water utilities included in your sample?

15 A. As shown in Schedule WAR-3, the cost of equity capital derived from my  
16 analysis is 9.11 percent.  
17  
18  
19  
20  
21  
22

**Capital Asset Pricing Model (CAPM) Method**

Q. Please explain the theory behind the capital asset pricing model ("CAPM") and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe.<sup>8</sup> The CAPM model is used to analyze the relationships between rates of return on various assets and risk as measured by beta.<sup>9</sup> In this regard, CAPM can help an investor to determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification.

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<sup>8</sup> William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

<sup>9</sup> Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

1 Thus, systematic risk is the only risk of importance to investors. Simply  
2 stated, the underlying theory behind CAPM states that the expected return  
3 on a given investment is the sum of a risk-free rate of return plus a market  
4 risk premium that is proportional to the systematic (non-diversifiable risk)  
5 associated with that investment. In mathematical terms, the formula is as  
6 follows:

$$k = r_f + [\beta (r_m - r_f)]$$

7  
8  
9 where:  $k$  = cost of capital of a given security,

10  $r_f$  = risk-free rate of return,

11  $\beta$  = beta coefficient, a statistical measurement of a  
12 security's systematic risk,

13  $r_m$  = average market return (e.g. S&P 500), and

14  $r_m - r_f$  = market risk premium.  
15

16 Q. What security did you use for a risk-free rate of return in your CAPM  
17 analysis?

18 A. I used an average of a 91-day Treasury Bill ("T-Bill") rate<sup>10</sup> and the 91-day  
19 T-Bill futures rate that appeared in the August 1, 2003 issue of The Wall

---

<sup>10</sup> A six week average was computed for the current rate using 91-day T-Bill quotes listed in Value Line's Selection and Opinion newsletter from June 27, 2003 to August 1, 2003.

1        Street Journal ("WSJ"). This resulted in a risk-free ( $r_f$ ) rate of return of  
2        0.90 percent.

3        Q.    Why did you use the short-term T-Bill rate as opposed to the yield on an  
4        intermediate 5-year Treasury note or a long-term 30-year Treasury bond?

5        A.    Because a 91-day T-Bill presents the lowest possible total risk to an  
6        investor. As citizens and investors, we would like to believe that U.S.  
7        Treasury securities (which are backed by the full faith and credit of the  
8        United States Government) pose no threat of default no matter what their  
9        maturity dates are. However, a comparison of various Treasury  
10       instruments will reveal that those with longer maturity dates do have  
11       slightly higher yields. Treasury yields are comprised of two separate  
12       components,<sup>11</sup> a true rate of interest (believed to be approximately 2.00  
13       percent) and an inflationary expectation. When the true rate of interest is  
14       subtracted from the total treasury yield, all that remains is the inflationary  
15       expectation. Because increased inflation represents a potential capital  
16       loss, or risk, to investors, a higher inflationary expectation by itself  
17       represents a degree of risk to an investor. Another way of looking at this  
18       is from an opportunity cost standpoint. When an investor locks up funds in  
19       long-term T-Bonds, compensation must be provided for future investment  
20       opportunities foregone. This is often described as maturity or interest rate

---

<sup>11</sup> As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the true rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

1 risk and it can affect an investor adversely if market rates increase before  
2 the instrument matures (a rise in interest rates would decrease the value  
3 of the debt instrument). As discussed earlier in the DCF portion of my  
4 testimony, this compensation translates into higher rates of returns to the  
5 investor. Since a 91-day T-Bill presents the lowest possible total risk to an  
6 investor, it more closely meets the definition of a risk-free rate of return  
7 and is the more appropriate instrument to use in a CAPM analysis.

8  
9 Q. How did you calculate the market risk premium used in your CAPM  
10 analysis?

11 A. I used both a geometric and an arithmetic mean of the historical returns on  
12 the S&P 500 index from 1926 to 2002 as the proxy for the market rate of  
13 return ( $r_m$ ). The risk premium ( $r_m - r_f$ ) that results by using the geometric  
14 mean calculation for  $r_m$  is equal to 9.30 percent (10.20 percent – 0.90  
15 percent). The risk premium that results by using the arithmetic mean  
16 calculation for  $r_m$  is 11.30 percent (12.20 percent – 0.90 percent).

17  
18 Q. How did you select the beta coefficients that were used in your CAPM  
19 analysis?

20 A. The beta coefficients ( $\beta$ ), for the individual utilities used in my sample,  
21 were calculated by Value Line and were current as of August 1, 2003.  
22 Value Line calculates its betas by using a regression analysis between

1 weekly percentage changes in the market price of the security being  
2 analyzed and weekly percentage changes in the NYSE Composite Index  
3 over a five-year period. The betas are then adjusted by Value Line for  
4 their long-term tendency to converge toward 1.00. The beta coefficients  
5 for the water utilities included in my sample ranged from 0.60 to 0.70 with  
6 an average beta of 0.63.

7  
8 Q. What are the results of your CAPM analysis?

9 A. As shown on Pages 1 and 2 of Schedule WAR-8, my CAPM calculation  
10 using a geometric mean for  $r_m$  results in an average expected return of  
11 6.79 percent. My calculation using the arithmetic mean results in an  
12 average expected return of 8.06 percent. The consensus among financial  
13 analysts appears to be that the arithmetic mean is the better of the two  
14 averages. For this reason, I believe that the 8.06 percent figure is the  
15 better check on the results of my DCF analysis.

16  
17 Q. Please summarize the results derived under each of the methodologies  
18 presented in your testimony.

19 A. The following is a summary of the cost of equity capital derived under  
20 each methodology used:

METHOD

RESULTS

DCF

9.11%

CAPM

6.79% – 8.06%

Based on these results, my best estimate of an appropriate range for the cost of equity is 6.79 percent to 9.11 percent (which was derived from the more reliable of the two methods). My final recommendation is a 9.11 percent return for Arizona-American's cost of equity capital.

**Current Economic Environment**

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are investing in non-regulated entities also.

1 Q. Please discuss your analysis of the current economic environment.

2 A. My analysis includes a review of the economic events that have occurred  
3 since 1990. Schedule WAR-9 displays various economic indicators and  
4 other data that I will refer to during this portion of my testimony.

5 In 1991, as measured by the annual change in gross domestic product  
6 ("GDP"), the U.S. Economy experienced a rate of growth of only 0.85  
7 percent. This decline in GDP marked the beginning of a mild recession  
8 that ended sometime before the end of the first half of 1992. Reacting to  
9 this situation, the Federal Reserve Board ("Federal Reserve" or "Fed"),  
10 chaired by noted economist Alan Greenspan, lowered its benchmark  
11 federal funds rate<sup>12</sup> in an effort to further loosen monetary constraints - an  
12 action that resulted in lower interest rates.

13 During this same period, the nation's major money center banks followed  
14 the Federal Reserve's lead and began lowering their interest rates as well.  
15 By the end of the fourth quarter of 1993, the prime rate (the rate charged  
16 by banks to their best customers) had dropped to 6.00 percent from a  
17 1990 level of 10.01 percent. In addition, the Federal Reserve's discount  
18 rate on loans to its member banks had fallen to 3.00 percent and short-  
19 term interest rates had declined to levels that had not been seen since  
20 1972.

---

<sup>12</sup> The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

1 Although GDP increased in 1992 and 1993, the Federal Reserve took  
2 steps to increase interest rates beginning in February of 1994, in order to  
3 keep inflation under control. By the end of 1995, the Federal discount rate  
4 had risen to 5.21 percent. Once again, the banking community followed  
5 the Federal Reserve's moves. The Fed's strategy, during this period, was  
6 to engineer a "soft landing." That is to say that the Federal Reserve  
7 wanted to foster a situation in which economic growth would be stabilized  
8 without incurring either a prolonged recession or runaway inflation.

9  
10 Q. Did the Federal Reserve achieve its goals during this period?

11 A. The Fed's strategy of decreasing interest rates to stimulate the economy  
12 worked. The annual change in GDP began an upward trend in 1991. A  
13 change of 3.9 percent was recorded at the end of both 1997 and 1998.  
14 Based on daily reports that were presented in the mainstream print and  
15 broadcast media during most of 1999, there appeared to be little doubt  
16 among both economists and the public at large that the U.S. was  
17 experiencing a period of robust economic growth highlighted by low rates  
18 of unemployment and inflation. Investors who believed that technology  
19 stocks and Internet company start-ups (with little or no history of earnings)  
20 had high growth potential, purchased these types of issues with  
21 enthusiasm. These types of investors, who exhibited what Chairman

1 Greenspan described as "irrational exuberance," pushed stock prices and  
2 market indexes to all time highs from 1997 to 2000.

3  
4 Q. What has been the state of the economy over the last two and a half  
5 years?

6 A. The U.S. economy plunged into recession following the tragic events of  
7 September 11, 2001. The bullish trend, which had characterized the last  
8 half of the 1990's, had already run its course sometime during the third  
9 quarter of 2000. Economic data released since the beginning of 2001  
10 had already been disappointing during the months preceding the terrorist  
11 attacks on the World Trade Center and the Pentagon. Slower growth  
12 figures, rising layoffs in the high technology manufacturing sector, and  
13 falling equity prices (due to lower earnings expectations) prompted the  
14 Fed to begin cutting interest rates as it had done in the early 1990's. The  
15 now infamous terrorist attacks on New York and Washington D.C.  
16 triggered an economic slump that prompted the Federal Reserve to  
17 continue its rate cutting actions through December 2001.

18  
19 Q. What actions has the Federal Reserve taken in terms of interest rates  
20 since the beginning of 2001?

21 A. To date, the Federal Reserve has cut interest rates thirteen times since  
22 the beginning of 2001. Despite some signs of economic strength, that

1        were mainly attributed to consumer spending, Chairman Greenspan  
2        appeared to be concerned with sharp declines in capital spending in the  
3        business sector. Prior to the 9/11 attacks, commentators reporting in both  
4        the mainstream financial press and various economic publications,  
5        including Value Line, believed that the Fed Chairman was cutting rates in  
6        the hope of avoiding the recession that the U.S. is still in the process of  
7        recovering from.

8        Despite several intervals in which the Federal Open Market Committee  
9        ("FOMC") decided not to cut interest rates, moves that indicated that the  
10       worst may be over and that the current recession might have bottomed out  
11       during the last quarter of 2001, a lackluster economy has persisted. This  
12       continuing economic malaise prompted the FOMC to make its thirteenth  
13       rate cut on June 24, 2003. The quarter point cut reduced the federal  
14       funds rate to 1.00 percent, the lowest level in 45 years. In its most recent  
15       meeting on August 12, 2003, the FOMC decided to let short-term rates  
16       stand at their lowest levels since 1958.

17  
18    Q.    How has the Fed's actions affected benchmark rates?

19    A.    Virtually all of the benchmark rates have fallen to levels not seen in forty-  
20       five years. The Fed's actions have had the effect of reducing the cost of  
21       many types of business and consumer loans. In addition to slashing the  
22       federal funds rate, the Fed has also cut the federal discount rate (the rate

**EXHIBIT**

*R-6*  
*Admitted*

**ARIZONA- AMERICAN WATER COMPANY, INC.**

**DOCKET NOS. WS-01303A-02-0867**

**WS-01303A-02-0868**

**W-01303A-02-0869**

**WS-01303A-02-0870**

**W-01303A-02-0908**

**SURREBUTTAL TESTIMONY**

**OF**

**WILLIAM A. RIGSBY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**OCTOBER 31, 2003**

1	<b>INTRODUCTION .....</b>	<b>1</b>
2	<b>SUMMARY OF ARIZONA-AMERICAN'S REBUTTAL TESTIMONY .....</b>	<b>2</b>
3	<b>COST OF DEBT .....</b>	<b>3</b>
4	<b>COST OF EQUITY CAPITAL .....</b>	<b>4</b>
5		

**INTRODUCTION**

Q. Please state your name, occupation, and business address.

A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state the purpose of your surrebuttal testimony.

A. The purpose of my testimony is to respond to Arizona-American Water Company Inc.'s ("Arizona-American" or "Company") rebuttal testimony on RUCO's recommended rate of return on invested capital (which includes RUCO's recommended cost of debt and cost of common equity) for the Company's water and wastewater operations located in Maricopa, Mohave and Santa Cruz counties.

Q. Have you filed any prior testimony in this case on behalf of RUCO?

A. Yes, on September 5, 2003, I filed direct testimony with the Arizona Corporation Commission ("ACC" or "Commission"). My direct testimony addressed the cost of capital issues that were raised in Arizona-American's application requesting a permanent rate increase ("Application") based on a test year ended December 31, 2001 ("Test Year").

1 Q. How is your surrebuttal testimony organized?

2 A. My surrebuttal testimony contains four parts: the introduction that I have  
3 just presented; a summary of Arizona-American's rebuttal testimony; a  
4 section on the cost of debt; and a section on the cost of equity capital.

5  
6 **SUMMARY OF ARIZONA-AMERICAN'S REBUTTAL TESTIMONY**

7 Q. Have you reviewed the rebuttal testimony of Company witnesses David P.  
8 Stephenson, Walter W. Meek and Dr. Thomas M. Zepp?

9 A. Yes. I have reviewed the rebuttal testimony, filed by the aforementioned  
10 Company witnesses on October 10, 2003, that addresses the cost of  
11 capital and reconstruction cost new less depreciation ("RCND") issues in  
12 this case.

13  
14 Q. Please summarize the Company's rebuttal testimony that addresses the  
15 cost of capital issues in this case.

16 A. Mr. Stephenson's rebuttal testimony on Arizona-American's cost of debt  
17 presents the Company's position on why the Commission should adopt his  
18 recalculated 4.86 percent weighted cost of debt.

19 Mr. Meek's rebuttal testimony addresses ACC Staff witness Joel M.  
20 Reiker's 9.70 percent recommended cost of equity capital and advocates  
21 the approach to security analysis that is being used by Smith Barney, a  
22 Wall Street brokerage house. He also supports the Company's RCND

1 rate base proposal that was discussed in both my direct testimony and in  
2 the direct testimony of RUCO witness Marylee Diaz-Cortez.

3 Dr. Zepp's rebuttal testimony takes issue with RUCO's recommended cost  
4 of equity capital and the methods that were used to derive my  
5 recommended 9.11 percent cost of common equity for Arizona-American.

6 Dr. Zepp disagrees with my decision not to adjust my cost of common  
7 equity to reflect the level of debt in the Company's capital structure and  
8 also addresses the RCND issues associated with this case.

9  
10 **COST OF DEBT**

11 Q. Has the Company accepted RUCO's recommended cost of debt?

12 A. No. However, the difference between my recommended 4.87 percent cost  
13 of debt and Mr. Stephenson's recalculated 4.86 percent cost of debt is  
14 minimal.

15  
16 Q. Please explain how RUCO arrived at its recommended 4.87 percent  
17 weighted cost of debt as opposed to how the Company arrived at its  
18 recalculated 4.86 percent weighted cost of debt.

19 A. RUCO's 4.87 percent weighted cost of debt was based on information  
20 obtained through data requests and conversations with Mr. Stephenson  
21 just prior to the September 5, 2002 deadline for filing direct testimony. My  
22 4.87 percent cost of debt figure removed what appeared to be a double  
23 weighting error in the Company's Application. Mr. Stephenson's

1 recalculated weighted cost of debt excludes City of Tolleson bonds, and  
2 includes the following: Maricopa Industrial Revenue Development Bonds  
3 ("IRDB's") at their current price; the Company's current amount of short-  
4 term debt at current long-term costs; and all of the Company's debt  
5 instruments which includes payment in lieu of revenue agreements  
6 ("PILAR's").  
7

8 Q. Does RUCO accept the Company-proposed cost of debt presented in Mr.  
9 Stephenson's rebuttal testimony?

10 A. Yes. Given the fact that there is so little difference between RUCO's 4.87  
11 percent figure and Mr. Stephenson's recalculated 4.86 percent figure,  
12 RUCO is willing to accept the Company's 4.86 percent weighted cost of  
13 debt.  
14

15 **COST OF EQUITY CAPITAL**

16 Q. What cost of common equity issues does Mr. Meek address in his rebuttal  
17 testimony?

18 A. Mr. Meek, the president of the Arizona Utility Investors Association  
19 ("AUIA") who describes himself as a "real world" witness as opposed to an  
20 expert witness, devotes the majority of his testimony to criticizing ACC  
21 staff witness Reiker over his use of the capital asset pricing model  
22 ("CAPM"). More to the point, Mr. Meek is highly critical of the beta  
23 component of the CAPM model, which is the cornerstone of CAPM theory.

1 Mr. Meek goes on to cite other factors that investors weigh in deciding  
2 whether or not to invest in a utility, including the consideration of returns of  
3 other utilities such as Southwest Gas Corporation. This argument  
4 amounts to nothing more than an endorsement of the comparable  
5 earnings method (which has been discredited for almost two decades).  
6 Mr. Meek also advocates the approach to security analysis that is being  
7 used by Smith Barney, a Wall Street brokerage house, and supports the  
8 Company's position regarding an RCND rate base.

9  
10 Q. Does Mr. Meek specifically address RUCO's recommended cost of capital  
11 in his rebuttal testimony?

12 A. No. However, he is critical of some of the same methods that I also used  
13 in deriving RUCO's recommended cost of equity. If the Commission is  
14 persuaded by Mr. Meek's arguments against what he characterizes as  
15 being a textbook theory approach to determining cost of common equity,  
16 then it should disregard the testimony of Company witness Zepp, since Dr.  
17 Zepp relies even more heavily on the same textbook theories criticized by  
18 Mr. Meek.

1 Q. What is the comparable earnings methodology that Mr. Meek appears to  
2 be advocating in his rebuttal testimony?

3 A. The comparable earnings methodology arrives at a return on common  
4 equity that is largely based on the authorized returns of other utilities.  
5 Company witness Kozoman probably described it best when he referred  
6 to it as "circular logic"<sup>1</sup> in a prior unrelated rate case proceeding.  
7

8 Q. What are the problems associated with a comparable earnings analysis?

9 A. In their work titled The Cost of Capital – Estimating the Rate of Return for  
10 Public Utilities<sup>2</sup>, authors A. Lawrence Kolbe, James A. Read, Jr. and  
11 George R. Hall ("Kolbe et al."), analyzed the five most commonly used  
12 methods for estimating the cost of common equity. Their evaluation of the  
13 comparable earnings method is as follows:

14 "There are serious problems with the Comparable Earnings  
15 method. Only by chance will conventional application of  
16 comparable earnings yield an estimate of the rate of return  
17 equal to the cost of capital. Furthermore, the difference  
18 between this estimate and the cost of capital is likely to be  
19 significant. The CE [comparable earnings] method scores  
20 quite poorly on most conceptual criteria and it is clearly the  
21 worst of the five methods examined in detail."  
22

23 Kolbe et al. go on to state:

24 "In fairness it should be noted that an expert may sometimes  
25 use the CE method as a rough guide to his or her judgment

---

<sup>1</sup> Rebuttal Testimony of Ronald L. Kozoman, Vail Water Company Docket No. W-01651A-97-0539 et al.

<sup>2</sup> A. Lawrence Kolbe and James A Read Jr., The Cost of Capital – Estimating the Rate of Return for Public Utilities, The MIT Press: Cambridge, Massachusetts, 1984, pp. 91-92.

1 or experience or as a supplement to the results of other  
2 methods.”

3  
4 Q. Have you used the comparable earnings method in the same manner that  
5 Kōlbe et al. have recommended?

6 A. To a degree, yes. In this proceeding, I have made no secret of the fact  
7 that I looked at the historic and projected returns of my sample utilities in  
8 relation to their levels of debt and equity and weighed these returns with  
9 the estimates of independent analysts to arrive at my recommended cost  
10 of equity. Mr. Meek’s testimony is part of a developing trend that I have  
11 noticed over the last year or so in which utilities and their consultants want  
12 to place more emphasis on comparable earnings over the results of equity  
13 valuation models. Based on the findings presented by Kolbe et al., there  
14 is no scientific or societal reason for an increased emphasis on  
15 comparable earnings at this point in time. A strong argument could be  
16 made that the only real reason for any increased emphasis in the  
17 comparable earnings method is the end result – a higher cost of equity,  
18 which equates to a higher rate of return.

19  
20 Q. What is your explanation for the developing trend that you just noted  
21 regarding comparable earnings analysis?

22 A. I believe this trend is attributable to the fact that prior authorized rates of  
23 return are higher than what is warranted in the low inflation and low

1 interest rate environment that we are currently operating in. Hence, the  
2 higher level rates of return that were set two to three years ago certainly  
3 would seem more attractive than what is merited at this point in time.

4  
5 Q. Please comment on Mr. Meek's opinion that a new rating system  
6 developed by Smith Barney analysts (to establish buy, hold or sell  
7 recommendations) exposes stock purchasers to a system that rates  
8 stocks on risk factors that are unique to each company.

9 A. I am somewhat perplexed at Mr. Meek's reliance on the advice of one  
10 particular Wall Street brokerage house. Smith Barney and other large  
11 brokerages were the subjects of a recent securities fraud case. I would  
12 not, as either an investor or a cost of capital analyst, rely on information  
13 provided by any one particular Wall Street investment banker. I say this  
14 despite the recent agreement made by Wall Street brokerage firms to  
15 separate their research departments from their investment banking  
16 departments. In April 2003, Smith Barney, a Wall Street brokerage house  
17 now owned by Citigroup, and a number of other investment firms agreed  
18 to pay \$1.4 billion as part of a settlement agreement with the Securities  
19 and Exchange Commission<sup>3</sup>. The well-publicized settlement stemmed  
20 from a securities fraud investigation into stock losses attributed to biased  
21 research. The investigation, which targeted ten of Wall Street's leading

---

<sup>3</sup> "Wall Street pact seen spurring suits," John Schoen, MSNBC, April 28, 2003.

1 brokerage houses, alleged that investors were misled by the "buy"  
2 recommendations of analysts who were employed by the investment  
3 firms. According to a report from Bloomberg, Citigroup agreed to pay  
4 \$400 million (the largest portion of the settlement) as a result of  
5 telecommunication stock losses incurred by investors who relied on the  
6 "buy" recommendations of a Smith Barney analyst<sup>4</sup>. Mr. Meek seems to  
7 be enamored with the fact that under the new Smith Barney ranking  
8 system a "low" risk investment that merits a "buy" endorsement is one that  
9 has a rate of return between 10 and 15 percent. Again, this is all based  
10 on the judgment of Smith Barney analysts.

11  
12 Q. Please summarize the rebuttal testimony of Dr. Zepp.

13 A. Dr. Zepp addresses my decision not to make an adjustment to my cost of  
14 common equity to reflect the level of debt in my recommended capital  
15 structure for Arizona-American. Dr. Zepp also takes issue with, and  
16 restates, the results of both my discounted cash flow ("DCF") analysis and  
17 my CAPM analysis.

18  
19  

---

<sup>4</sup> "Citigroup, Morgan Stanley CEOs Risk SEC Penalties," Bloomberg, June 4, 2003.

1 Q. Please explain Dr. Zepp's position on your decision not to include an  
2 adjustment to your recommended cost of equity based on the level of debt  
3 in the Company's capital structure?

4 A. Dr. Zepp believes that I should make a 50 basis point adjustment, as ACC  
5 Staff witness Reiker has, to my recommended cost of equity based on the  
6 level of debt contained in the Company's capital structure.

7  
8 Q. Have you revised your recommended cost of common equity to reflect a  
9 50 basis point adjustment based on the level of debt in the Company's  
10 capital structure?

11 A. Yes. After reading the direct testimony of Mr. Reiker and the rebuttal  
12 testimony of Mr. Stephenson, I recognized that Arizona-American is more  
13 leveraged than my proxy group. Accordingly, I have reconsidered my  
14 decision not to make an upward adjustment to my original 9.11 percent  
15 cost of common equity. My revised 9.61 percent cost of common equity  
16 and the 4.86 percent cost of debt that I adopted earlier in my testimony  
17 produce a weighted average cost of capital of 6.77 percent.

18  
19 Q. How does your revised weighted cost of capital compare with the  
20 Company's revised weighted cost of capital?

21 A. My 6.77 percent revised weighted cost of capital, exhibited in Surrebuttal  
22 Schedule WAR-1, is 74 basis points lower than the Company's 7.51

1           percent revised weighted cost of capital (displayed in Exhibit 3 of Mr.  
2           Stephenson's rebuttal testimony).

3  
4   Q.    Do you agree with Dr. Zepp's criticisms of your DCF methodology?

5   A.    No.   In particular, I strongly disagree with Dr. Zepp's mischaracterization  
6           of the method that I used in the calculation of "v" for the external growth  
7           rate estimate portion of the DCF's growth component ("g"). This  
8           calculation takes into consideration the fact that, while in theory a utility's  
9           stock price should move toward a market to book ratio of 1.0 if regulators  
10          authorize a rate of return that is equal to a utility's cost of capital, in reality  
11          a utility will continue to issue shares of stock that are priced above book  
12          value.

13  
14   Q.    Do you agree with Dr. Zepp's restatement of the results of your DCF  
15          analysis?

16   A.    No, I do not. Dr. Zepp has restated g in my DCF analysis, which is the  
17          sum of a utility's internal, or sustainable growth rate ("br"), and the external  
18          growth rate estimate ("sv"). As I stated in my direct testimony, my  
19          estimate of g is higher than the projections presented by Zacks Investment  
20          Research, Inc.<sup>5</sup> and are more optimistic when compared with the  
21          projections of independent analysts at Value Line Investment Survey.

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<sup>5</sup> Zacks Investment Research was formed in 1978 to compile, analyze, and distribute investment research to both institutional and individual investors. Zack's presently compiles investment data that is obtained through its relationships with over 250 different brokerage firms.

1 This comparison was presented in Schedule WAR-7 of my direct  
2 testimony. The numbers of independent analysts exhibited in schedule  
3 WAR-7 speak for themselves and are a far better check on my estimate of  
4 g than the restatement that Dr. Zepp presents in his rebuttal testimony.  
5

6 Q. Do you agree with Dr. Zepp's restatement of your CAPM analysis?

7 A. No, I do not. First, my CAPM analysis was preformed as a check on my  
8 DCF result. Further, I do not intend to engage Dr. Zepp in what will  
9 ultimately become a meaningless esoteric argument that debates the  
10 merits of the Sharpe-Lintner CAPM model over the merits of the zero-beta  
11 CAPM model. My analysis used the closest possible analog to a risk-free  
12 asset, an average of the "real world" 91-day Treasury bill ("T-Bill") rate<sup>6</sup>  
13 and the 91-day T-Bill futures rate that appeared in the August 1, 2003  
14 issue of The Wall Street Journal ("WSJ"). This resulted in a risk-free ( $r_f$ )  
15 rate of return of 0.90 percent, which produced an expected return of 8.06  
16 percent. At the other extreme, Dr. Zepp has chosen to use what he  
17 considers to be an appropriate proxy for the risk-free asset which is Blue  
18 Chip Financial Forecast's higher 5.60 percent estimate of long-term  
19 treasury rates (an estimate that is 51 basis points higher than the current  
20 yield of 5.09 percent on a 30-year zero coupon treasury instrument as of

---

<sup>6</sup> A six-week average was computed for the current rate using 91-day T-Bill quotes listed in Value Line's Selection and Opinion newsletter from June 27, 2003 to August 1, 2003.

1       October 2, 2003)<sup>7</sup>. This is based on Dr. Zepp's faith in the zero-beta  
2       version of CAPM. Dr. Zepp's restatement of my CAPM analysis produces  
3       an expected return of 9.80 percent. For the sake of argument, I will  
4       substitute the current 2.87 percent 5-year intermediate-term Treasury yield  
5       into Dr. Zepp's zero-beta CAPM model<sup>8</sup>. This produces an expected  
6       return of 8.75 percent or 86 basis points lower than the 9.61 percent  
7       revised cost of common equity that I am recommending and an expected  
8       return of 9.25 percent that is 36 basis points lower when a 50 basis point  
9       adjustment for additional financial risk is made. I believe that this is a  
10      reasonable check on my revised recommended 9.61 percent cost of  
11      equity.

12  
13     Q.    Please comment on Dr. Zepp's criticism of the use of CAPM to set rates in  
14           utility cases.

15     A.    Dr. Zepp's criticism is nothing less than disingenuous. In the fall of 1978,  
16           Dr. Zepp, then working as a senior economist for the Oregon Public Utility  
17           Commission, co-authored a paper that defended the use of CAPM in rate  
18           case proceedings<sup>9</sup>. In his article, which was written in response to a prior

---

<sup>7</sup> The current 5.09 percent yield on the 30-year zero coupon Treasury instrument has dropped by 51 basis points since July 31, 2003.

<sup>8</sup> Some analysts argue that the intermediate-term rate is a better holding period yield for utilities since it more closely resembles the time frame that utilities apply for rate relief. Dr. Zepp's use of the long-term rate would assume that Arizona-American applies for rate relief every 30 years.

<sup>9</sup> Dennis E. Peseau and Thomas M. Zepp, "On the Use of the CAPM in Public Utility Rate Cases: Comment," Financial Management (Autumn, 1978), pp. 52-56.

1 article that was critical of CAPM<sup>10</sup>, Dr. Zepp admitted that (during the  
2 1970's) the dramatic increase in inflation had increased the risk-free rate  
3 of interest on U.S. Treasury instruments and therefore the cost of capital  
4 for utilities. Now that we find ourselves in a period marked by low rates of  
5 inflation and correspondingly low rates of interest, which would dictate a  
6 lower cost of capital for utilities, Dr. Zepp can't seem to find anything  
7 positive to say about CAPM.

8  
9 Q. Have any of the arguments advanced by the Company's witnesses in their  
10 rebuttal testimony persuaded you to make any further increases in your  
11 revised 9.61 percent cost of common equity?

12 A. No.

13  
14 Q. Please comment on Mr. Meek's and Dr. Zepp's rebuttal testimony on the  
15 RCND issues associated with this case.

16 A. I see this argument as nothing more than a means to achieve higher  
17 levels of operating income, by inflating rate base value, during a period of  
18 time in which lower authorized rates of return are merited (i.e. the low  
19 inflation and low interest rate environment that I discussed earlier). Not  
20 content with the Commission's practice of applying the authorized rate of  
21 return to the original cost of a utility's rate base (which produces a level of

---

<sup>10</sup> Eugene F. Brigham and Roy L. Crum, "On the Use of the CAPM in Public Utility Rate Cases," Financial Management (Summer, 1977), pp. 7-15.

1 operating income that is based on the amount of actual dollars invested),  
2 the Company is attempting to inflate the values of each individual system's  
3 rate base in order to mitigate the effects of a lower authorized rate of  
4 return that is warranted in the current low inflation environment.

5  
6 Q. Are there any aspects of the RCND position presented by Dr. Zepp or Mr.  
7 Meek in their rebuttal testimony that you agree with?

8 A. None. As I stated in my direct testimony, the RCND position being  
9 advanced by the Company's witnesses and Mr. Meek in this case should  
10 be given no weight at all by the Commission. I also want to reiterate that  
11 this is simply an attempt for Arizona-American, or any other utility in this  
12 state that wants to plead the same argument, to earn more on restated or  
13 inflated rate base values. In short, it would lead to a situation in which  
14 Arizona ratepayers would have to pay higher rates for the same assets  
15 only because the value of the assets have been restated to reflect current  
16 costs.

17  
18 Q. How do you respond to Dr. Zepp's remark that your position on the RCND  
19 matter ignores cost of service?

20 A. It is not accurate and I am baffled as to why Dr. Zepp would even make  
21 such a statement. It is clear, from the direct testimony of RUCO's  
22 witnesses, that RUCO's primary reason for intervening in this proceeding  
23 was to perform an analysis on Arizona-American's cost of service in order

1 to determine if the Company's request for additional revenues is justified.

2 Apparently, Dr. Zepp has missed this obvious aspect of our testimony

3 because RUCO has certainly not ignored cost of service in this case.

4  
5 Q. Does your silence on any of the issues or positions addressed in the  
6 rebuttal testimony of the Company's witnesses constitute acceptance?

7 A. No, it does not.

8  
9 Q. Does this conclude your surrebuttal testimony on Arizona-American's  
10 Eastern Group systems?

11 A. Yes, it does.

ARIZONA-AMERICAN WATER COMPANY  
DOCKET NO. W-01303A-02-0867 ET AL.  
TABLE OF CONTENTS TO SURREBUTTAL SCHEDULES WAR

SCHEDULE #

WAR - 1

COST OF CAPITAL SUMMARY

ARIZONA-AMERICAN WATER COMPANY  
TEST YEAR ENDED DECEMBER 31, 2001  
COST OF CAPITAL SUMMARY

DOCKET NO. W-01303A-02-0867 ET AL.  
SURREBUTTAL SCHEDULE WAR - 1

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	LONG-TERM DEBT	\$ 165,583,119	\$ -	\$ 165,583,119	59.89%	4.86%	2.91%
2	COMMON EQUITY	110,888,158	-	110,888,158	40.11%	9.61%	3.85%
3	TOTAL CAPITALIZATION	\$ 276,471,277	\$ -	\$ 276,471,277	100.00%		

4 COST OF CAPITAL

6.77%

REFERENCES:

COLUMN (A): ACC STAFF D.R. NO. JMR 8-3 AND JMR 8-4  
COLUMN (B): DIRECT TESTIMONY, WAR  
COLUMN (C): COLUMN (A) + COLUMN (B)  
COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5  
COLUMN (E): SURREBUTTAL TESTIMONY, WAR  
COLUMN (F): COLUMN (D) x COLUMN (E)

**EXHIBIT**

*R-7*  
*Admitted*

**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-02-0867 et al.**

**DIRECT TESTIMONY**

**OF**

**MARYLEE DIAZ CORTEZ**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**SEPTEMBER 5, 2003**

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22

23

**INTRODUCTION**

Q. Please state your name for the record.

A. My name is Marylee Diaz Cortez. I am a Certified Public Accountant. I am the Chief of Accounting and Rates for the Residential Utility Consumer Office (RUCO) located at 1110 W. Washington, Suite 220, Phoenix Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix I, which is attached to this testimony, describes my educational background and includes a list of the rate case and regulatory matters in which I have participated.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present recommendations resulting from my review and analysis of the Arizona-American Water Company's ("Company or AZ\_AM") application for an increase in rates.

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's application. Procedures performed include the formulation and analysis of several sets of data requests, the review and analysis of Staff requested data, review of

1 annual reports and prior decisions, as well as conversations with  
2 Company personnel and representatives.

3  
4 Q. What areas will you address in your testimony?

5 A. I will address rate base, operating income, and rate design as well as  
6 sponsor RUCO's recommended revenue requirements for the Anthem  
7 Water and Wastewater Companies, and the Agua Fria Water Company.  
8 RUCO witness Rodney Moore will address these same issues for the Sun  
9 City Water and Wastewater, Sun City West Water and Wastewater, and  
10 the Tubac Water Companies. RUCO witness Tim Coley will address  
11 these issues for the Mohave Water and Havasu Water Companies.  
12 William Rigsby will address the cost of capital issues for all of the AZ\_AM  
13 Companies.

14  
15 Q. Please identify the exhibits you are sponsoring.

16 A. I am sponsoring Schedules MDC-1 through MDC-16, pertaining to Anthem  
17 Water and Wastewater and Agua Fria Water.

18  
19 Q. Please summarize the recommendations and adjustments you  
20 recommend for Anthem Water, Anthem Wastewater, and Agua Fria  
21 Water.

22 A. In my testimony I recommend that the Commission adhere to the original  
23 cost standard of ratemaking and deny the Reconstruction Cost New

1 Depreciated (RCND) rate base proposed by the Company. Thus, my first  
2 adjustment is to restate the RCND rate base to its equivalent original cost  
3 rate base. I then recommend the following adjustments to AZ\_AM rate  
4 request:

5  
6 Rate Base

7 Adjustment #1 – Test year Plant & Accumulated Depreciation - This  
8 adjustment recomputes test year original cost plant and accumulated  
9 depreciation based on the plant, accumulated depreciation, and  
10 depreciation rates authorized in the Companies last rate case

11 Adjustment #2 – Proforma Plant and Accumulated Depreciation - This  
12 adjustment restates the Company's estimated proforma plant to reflect  
13 the actual non-revenue producing plant completed in 2002. The  
14 adjustment also increases Accumulated Depreciation to include a half  
15 year of depreciation recovery on the proforma plant actuals.

16 Adjustment # 3 – Acquisition Adjustment - This adjustment removes the  
17 acquisition premium the Company paid on the purchase of the Citizen's  
18 assets. Decision No. 63584 provided that recovery of the acquisition  
19 premium would be based on AZ\_AM's ability to demonstrate that clear,  
20 quantifiable, and substantial net benefits have been realized in the  
21 affected areas, which would not have been realized had the transaction  
22 not occurred. The Company has made no such showing.

1        Operating Income

2        Adjustment #1 – Citizens' Corporate Allocations – This adjustment  
3        corrects for certain errors the Company made in removing Citizens  
4        Corporate Allocations.

5        Adjustment #2 – Citizens' Test Year Payroll – This adjustment corrects for  
6        certain errors the Company made in removing Citizens Payroll and Payroll  
7        Tax Expense.

8        Adjustment #3 – AZ\_AM Service Company Charges – This adjustment  
9        restates AZ\_AM estimated Service Company Charges to reflect the actual  
10       Service Company Charges.

11       Adjustment # 4 – AZ\_AM Payroll - This adjustment restates the AZ\_AM  
12       estimated level of payroll expense and payroll taxes to reflect the actual  
13       level of payroll expense and taxes.

14       Adjustment #5 – Depreciation Expense - This adjustment calculates  
15       annual depreciation expense based the level of plant recommended by  
16       RUCO, and on the depreciation rates requested by the Company.

17       Adjustment #6 – Property Taxes – This adjustment computes test year  
18       property tax expense based the methodology used by the Arizona  
19       Department of Revenue.

20       Adjustment #7 – Rate Case Expense - This adjustment decreases the  
21       Company requested level of rate case expense to an amount that is  
22       commensurate with prior Commission authorized levels.

1        Adjustment #8 – AZ-AM Overheads – This adjustment restates AZ\_AM  
2        estimated overheads to reflect actual overheads.

3        Adjustment # 9 - This adjustment is not applicable to the Agua Fria Water  
4        and Anthem Water and Wastewater systems.

5        Adjustment #10 – Income Tax Expense - This adjustment calculates test  
6        year income tax expense based on RUCO's recommended operating  
7        income.

8        Other Issues - Discussion and recommendation concerning Sun City  
9        Wastewater's request of an adjustor mechanism to recover incremental  
10       investment in the Tolleson Wastewater Treatment Plant.

11  
12       **REVENUE REQUIRMENTS**

13       Q.     Please summarize the results of your analysis of AZ\_AM and your  
14       recommended revenue requirement.

15       A.     AZ\_AM's revenue should be decreased by at least \$613,371 for Agua Fria  
16       Water, \$424,126 for Anthem Water, and increased by no more than  
17       \$74,649 for Anthem Wastewater. These recommendations are  
18       summarized on Schedule MDC-1 for each system respectively. My  
19       recommended original cost rate base of \$16,228,561 for Agua Fria,  
20       \$8,766,964 for Anthem Water, and \$1,904,897 for Anthem Wastewater  
21       are shown on Schedules MDC-2, and the detail supporting the original  
22       cost rate base is presented on Schedules MDC-3. My recommended  
23       adjusted operating income of \$1,442,825 for Agua Fria, \$836,402 for

1 Anthem Water, and \$75,508 for Anthem Wastewater are shown on  
2 Schedules MDC-6, and the detail supporting my recommendation is  
3 presented on Schedules MDC-7.  
4

5 Q. Did you experience any particular problems in auditing and analyzing the  
6 Company's rate increase request?

7 A. Yes. Having now worked for over six months with AZ\_AM's rate filing and  
8 supporting documents, I do not believe the records the Company provided  
9 are sufficient to facilitate a finding of fair value.  
10

11 Q. Please identify some of the specific problems you have encountered in  
12 your audit and review of AZ\_AM's rate increase request.

13 A. They were as follows:

14 1) Company's application was based on a 2001 test year. At  
15 no time during that year did AZ\_AM own or operate the  
16 individual water and wastewater divisions. Thus, the actual  
17 test year data is reflective of Citizens' cost to operate the  
18 water and wastewater divisions.

19 2) AZ\_AM compounded the test year problem noted in 1)  
20 above by attempting to replace select Citizens' test year  
21 expenses with estimates of their own expenses. These  
22 estimates are clearly speculative because at the time they

1                   were made AZ\_AM had little actual operating data upon  
2                   which to make such estimates.

3                   3)    The data required to support the amounts represented in the  
4                   application's rate base, income statement, and cost of  
5                   capital had to be obtained from two different sources - - both  
6                   Citizens and AZ\_AM. Often data did not reconcile, was not  
7                   readily available, or was found to be erroneous and  
8                   replacement data was later provided.

9  
10                These problems not only increased the amount of time and resources that  
11                had to be devoted to the AZ\_AM rate analysis, but also decreased the  
12                reliability of the results that could be derived from the analysis of the case.

13  
14    Q.        Would you have confidence with the fairness and reasonableness of the  
15                rates that can be derived from data provided in support of the Company's  
16                application?

17    A.        No, I do not have a high level of confidence on the fairness or  
18                reasonableness of rates that can be derived from AZ\_AM rate application.  
19                There are too many unsubstantiated figures, too many estimated  
20                adjustments, and a test year that bears no relation to AZ\_AM's cost to  
21                serve the water and wastewater divisions it now owns. I believe the most  
22                prudent course of action given this situation would be to simply deny the

1 instant application and have AZ\_AM file for rate adjustment once it has an  
2 actual test year under its own operation and ownership.

3  
4 Q. Assuming, for whatever reason, the Commission desires to set rates  
5 based on the current application, what do you recommend?

6 A. Again, I do not believe fair and reasonable rates can be determined based  
7 on the application that is before us. That notwithstanding, in the following  
8 testimony I explain what adjustments, at minimum, are necessary to avoid  
9 grossly unfair or unreasonable rates.

10  
11 **RATE BASE**

12 Q. Please describe the rate base requested by AZ\_AM.

13 A. The Company has utilized a Reconstruction Cost New Depreciated  
14 (RCND) rate base as the sole measure rate base in quantifying its  
15 proposed revenue requirements.

16  
17 Q. What is a RCND rate base?

18 A. RCND rate base is a restatement of the Company's original cost assets  
19 and liabilities to represent the "current" cost of these same assets and  
20 liabilities. In an inflationary environment an RCND rate base will be  
21 greater than its original cost. Thus, the use of an RCND rate base will  
22 increase a utility's revenue requirement simply as a result of the  
23 restatement.

1 Q. How does the Commission utilize RCND in setting rates?

2 A. In determining a utility's fair value rate base (FVRB), the Commission  
3 averages the utility's original cost rate base (OCRB) and its RCND. The  
4 Commission then computes a rate of return to apply to the FVRB. This  
5 rate of return is not the same rate of return that it determines is  
6 appropriate to apply to the OCRB.

7  
8 Q. What inequity results from the use of an RCND rate base with an OCRB  
9 rate of return?

10 A. The revenue requirement that a utility is entitled an opportunity to recover  
11 through rates is in large part dependant on two factors: the value of its rate  
12 base and its cost of capital. Both factors need to be stated on the same  
13 basis in order to generate fair and reasonable rates. When an original  
14 cost rate base and original cost of capital basis is used these two factors  
15 are appropriately matched. The original cost rate base does not consider  
16 inflation, as does the RCND rate base. However, the original cost of  
17 capital utilized in a rate case *does* consider inflation in both the cost of  
18 debt analysis (i.e. as an interest rate component) and the cost of equity  
19 analysis (i.e. in the risk component). Thus, when an original cost rate  
20 base is multiplied by an original cost of capital the inflation element is  
21 present in the resultant revenue requirement as a component of the cost  
22 of capital. If an original cost rate base is replaced with a RCND rate base  
23 the inflation factor will be double counted in the revenue requirement

1 calculation. This double count results because both the RCND rate base  
2 and the cost of capital include an inflation factor. When multiplied together  
3 in the revenue requirement calculation, the inflation factor will be  
4 compounded and result in a double count, which will overstate the  
5 revenue requirement.

6  
7 Q. Please address the Company's position that an RCND rate base is  
8 appropriate because AZ\_AM's purchase price of these utility assets  
9 exceeded the original cost of the assets.

10 A. The Commission is required to consider both the OCRB and RCND when  
11 evidence of both is submitted. The Commission can also consider what  
12 weight to give an RCND that is based on estimates.

13  
14 Q. Have you ever seen the ACC grant utility rates based on a RCND rate  
15 base coupled with an original cost of debt and equity?

16 A. No. When the ACC sets rates it uses one of the following three  
17 measures:

- 18 1) Original Cost Rate Base x Original Cost Rate of Return
- 19 2) RCND Rate Base x RCND Rate of Return
- 20 3) Fair Value Rate Base X Fair Value Rate of Return

21 I have never seen the ACC set rates based on RCND Rate Base x  
22 Original Cost Rate of Return. As discussed above, this incorrect  
23 calculation will overstate the resultant revenue requirement.

Q. Please provide a numerical example demonstrating how use of the RCND rate base with an original cost rate of return will overstate the revenue requirement.

A. Assume the following:

Original Cost Rate Base = \$2,500,000

RCND Rate Base = 3,000,000

Original Cost of Debt = 6%

Original Cost of Equity = 10%

Capital Structure = 50/50

Method Typically Utilized by ACC

Original Cost Rate Base = \$2,500,000

X Wght Original Cost of Capital = 8%

Revenue Requirement 200,000

Method Utilized in Company's Request

RCND Rate Base = \$3,000,000

X Wght Original Cost of Capital 8%

Revenue Requirement 240,000

Company's Request (Removing Double Inflation Count)

RCDD Rate Base = \$3,000,000

X Wght Original Cost of Capital<sup>1</sup> = 6.5%

Revenue Requirement 195,000

This example clearly shows that use of an Original Cost Rate Base and an Original Cost Rate of Return produce virtually the same level of revenue requirement as does an RCND Rate Base and a Rate of Return adjusted to remove the inflation factor. It is only through the Company's use of RCND Rate Base and an Original Cost Rate of Return (which includes the inflation factor) that the revenue requirement increases. The increased revenue requirement produced by the Company's calculation results because of the double count in the inflation factor, once in the RCND Rate Base and again in the rate of return.

Q. Is this double count only applicable to future rates that are set based on an RCND rate base times and original cost of capital?

A. No. The use of an RCND rate base creates retrospective double recoveries also. This retrospective double count results because in prior years, when an original cost rate base may have been used, the cost of equity and cost of debt contained an inflation factor. Thus, the utility has already been compensated for inflation in prior years. Restatement of the original cost rate base in RCND allows the utility to recover the effects of inflation a second time via an inflated RCND rate base.

---

<sup>1</sup> 8% Original Cost minus 1.5% (assumed) inflation factor = 6.5%

1 Q. What adjustment is necessary to correct this double count?

2 A. The rate base and rate of return first must be stated on the same basis.  
3 This basis should be Original Cost, which is consistent with the how the  
4 Commission has treated virtually all other Arizona regulated utilities. As  
5 shown on Schedules MDC-2, TJC-2, and RLM-2, RUCO has restated the  
6 Company's requested rate base to an Original Cost basis.  
7

8 **Rate Base Adjustment # 1 – Test Year Plant & Accumulated Depreciation**

9 Q. Have you reviewed the Company test year plant calculations?

10 A. Yes. The Company's plant calculations for Agua Fria Water begin with the  
11 plant balances as of March 31, 1995 as authorized in Decision No. 60172.  
12 The calculation adds/subtracts the annual plant additions, retirements, and  
13 adjustments for each year through the end of the 2001 test year. The  
14 Company's calculations for Anthem Water and Wastewater begin with  
15 1999 when the first plant items entered service and accumulate the  
16 additions, retirements, and adjustments through the test year ended  
17 December 31, 2001.  
18

19 Q. How did the Company calculate its test year accumulated depreciation  
20 balances?

21 A. The Company did not reconstruct its accumulated depreciation balances  
22 utilizing the annual plant balances and the authorized depreciation rates.

1 Instead, the Company utilized the accumulated depreciation balances as  
2 reflected on Citizens books and records at the end of the 2001 test year.

3  
4 Q. Do you agree with the Company's test year plant balances?

5 A. No. I agree with the methodology the Company used to quantify the test  
6 year plant balances. I have utilized the same methodology. However, my  
7 calculations reach a different result than the Company's.

8  
9 Q. What are the plant balance differences attributable to?

10 A. Differences in RUCO vs. the Company's test year plant balances are  
11 attributable to the following reasons: 1) In some cases the Company has  
12 not accurately reflected the plant balances authorized in the prior decision  
13 2) The Company's plant calculations for the years 1999 through 2001  
14 were based on estimates. The Company subsequently obtained actual  
15 data for these years. I have utilized the actual data in my plant  
16 calculations.

17  
18 Q. What adjustment have you made to the test year plant?

19 A. As shown on Schedule MDC-4, I have made the following test year plant  
20 adjustments:

21	Agua Fria Water	\$2,380
22	Anthem Water	249
23	Anthem Wastewater	(2)

1 Q. Do you agree with the Company's calculation of test year accumulated  
2 depreciation?

3 A. No. The Company's accumulated depreciation balances utilize neither  
4 calculated test year plant balances, nor does it utilize the depreciation  
5 rates authorized in the prior rate case. Instead, the Company's test year  
6 accumulated depreciation balances are those that resided on Citizens  
7 books and records at the end of the test year.  
8

9 Q. Have you recalculated the historical accumulated depreciation balances  
10 since the last rate case based on actual plant additions and retirements  
11 and the authorized depreciation rates?

12 A. Yes. As shown on Schedule MDC-4, I have recalculated the annual  
13 accumulated depreciation balances based on my reconstructed plant  
14 balances and on the depreciation rates authorized in the last rate case for  
15 Agua Fria and the depreciation rates requested in the current case for  
16 Anthem Water and Wastewater.  
17

18 Q. Are your accumulated depreciation balances more accurate than the  
19 Company's?

20 A. Yes. My calculations utilize actual plant balances, the half-year  
21 convention, as well as authorized depreciation rates. The result of my  
22 calculations is an accurate accumulated depreciation balance utilizing the  
23 appropriate components.

1 Q. What adjustment have you made?

2 A. As shown on Schedule MDC-4, I have made the following adjustments:

3	Agua Fria	\$293,972
4	Anthem Water	448,104
5	Anthem Wastewater	397,664

6  
7 These adjustments are necessary to accurately reflect the accumulated  
8 depreciation balances based on historical plant balances and the  
9 authorized depreciation rates.

10  
11 **Rate Base Adjustment #2 – Post Test Year Plant and Accumulated**  
12 **Depreciation**  
13

14 Q. Is AZ\_AM requesting rate base recognition of any proforma plant items?

15 A. Yes. The Company has requested the following proforma adjustments to  
16 its test year plant and accumulated depreciation balances:

- 17 1) Adjustment to include the incremental plant and  
18 accumulated depreciation balances recorded from  
19 December 31, 2001 test year-end until AZ\_AM's acquisition  
20 in mid-January.
- 21 2) Adjustment to include revenue neutral post test year 2002  
22 plant additions.
- 23 3) Adjustment to plant to include the capitalized cost of the new  
24 Orcom computer system.

1 Q. Do you agree with the Company that these proforma adjustments should  
2 be included in rate base?

3 A. I have reviewed and analyzed the proforma adjustments identified above  
4 as 1) and 3) and included those in my recommended rate base. I also  
5 reviewed adjustment 2) for the revenue neutral post test year plant  
6 additions. I do not agree with the Company's proposed ratemaking  
7 treatment of the post test year plant additions.  
8

9 Q. Please explain.

10 A. It has consistently been RUCO's position that out-of-test-year plant  
11 additions should not be included in rate base unless there is a full  
12 matching of *all* post test year rate elements. When a utility picks and  
13 chooses those items it wants to include on a test year basis vs. those it  
14 wants to include on a post test year basis it has an opportunity to  
15 manipulate the resultant revenue requirement to its own advantage, and  
16 conversely to the ratepayers' disadvantage.  
17

18 Q. Despite RUCO's position has the Commission permitted the inclusion of  
19 post test year plant additions under certain circumstances?

20 A. Yes. In some instances where the Commission believed the inclusion of  
21 the post test year additions do not result in ratemaking mismatches it has  
22 allowed their inclusion.  
23

1 Q. What is RUCO's recommendation regarding the post test year plant  
2 additions in the instant case?

3 A. RUCO continues to support the use of a strict historical test year and  
4 believes an historical test year produces the most accurate revenue  
5 requirement. However, in recognition of prior Commission decisions  
6 regarding non-revenue producing plant, RUCO has included certain post  
7 test plant additions in rate base in this case.  
8

9 Q. Are any additional adjustments needed to mitigate the bias that is created  
10 when post test year plant additions are allowed?

11 A. Yes. The inclusion of post test year plant in rate base requires the  
12 inclusion of post test year accumulated depreciation on that plant in order  
13 to provide a matching of the rate base elements. Using the half year  
14 convention I have calculated the additional accumulated depreciation  
15 attributable to the post test year plant additions. This adjustment is shown  
16 on Schedule MDC-5. I have also adjusted the Company-requested post  
17 test year plant additions to reflect their actual completed cost. The post  
18 test year plant amounts in the Company's filing were based on estimates.  
19 The actual completed costs are now known. This adjustment is also  
20 shown on Schedule MDC-5.  
21

**Rate Base Adjustment #3 – Acquisition Adjustment**

Q. Has the Company included an acquisition adjustment in its original cost rate base?

A. Yes. AZ\_AM purchased the Citizens water and wastewater properties for \$71,637,084 in excess of its net book value. The Company has allocated the acquisition premium to each of the individual systems in this filing and included those allocations in the respective systems' original cost rate base.

Q. Is this rate base inclusion appropriate?

A. No. In Decision No. 63584, authorizing the sale and transfer of the Citizens assets to AZ\_AM, the Commission ordered that there would be no recovery of the acquisition adjustment in the future unless the Company were able to demonstrate "clear, quantifiable and substantial net benefits ... which would not have been realized had the transaction not occurred".

Q. Has AZ\_AM made such a showing in this docket?

A. No. The Company has made no attempt to make such a showing. Moreover, such a showing is not even possible in this filing, since the test year expenses were incurred under Citizens ownership. Accordingly, I have removed the following amounts from the Company's rate base:

1	Agua Fria Water	\$13,305,699
2	Anthem Water	11,045,859
3	Anthem Wastewater	6,134,973

4

5 This adjustment is discussed in greater detail in the testimony of RUCO

6 witness Rodney Moore.

7

8 **OPERATING INCOME**

9 **Operating Adjustment #1 – Citizens Corporate Allocations**

10 Q. Please discuss Operating Adjustment #1.

11 A. The Company has proposed an adjustment to the test year to remove

12 Citizens corporate allocated expenses and to replace those expenses with

13 AZ\_AM service company charges.

14

15 Q. Were you able to verify the Citizens corporate allocations?

16 A. Yes. Through data requests RUCO obtained copies of Citizens' test year

17 general ledger. I was able to track the Citizens allocated expenses to the

18 general ledger.

19

20 Q. Did you find and any discrepancies between the general ledger Citizens

21 expenses and the amounts removed in the Company C-2 adjustment 1?

22 A. Yes. The corporate allocation amounts reflected in the general ledger for

23 the Aqua Fria Water system differed from the Company's C-2 adjustment.

1 All other systems' C-2 adjustment #1 amounts tied to the general ledger.  
2 The Agua Fria discrepancy appears to be a data entry error. I have  
3 corrected that error to reflect the actual general ledger allocations. As  
4 shown on Schedule MDC-7 this reduces Agua Fria operating expense by  
5 an additional \$30,684.

6  
7 **Operating Adjustment # 2 –Citizens Payroll**

8 Q. Please discuss RUCO's Operating Adjustment # 2.

9 A. This adjustment removes Citizens test year recorded payroll from  
10 expenses. These payroll amounts are later replaced with AZ\_AM payroll  
11 amounts in Operating Adjustment #4. This adjustment is not applicable to  
12 the Agua Fria Water, Anthem Water, and Anthem Wastewater systems.  
13 The rationale and specifics of this adjustment are discussed in greater  
14 detail in the testimony of Rodney Moore.

15  
16 **Operating Adjustment #3 – AZ\_AM Service Company Allocations**

17 Q. Please discuss Operating Adjustment #3.

18 A. In this adjustment I recalculate the expenses that the American Water  
19 Works service company allocates to the AZ\_AM water and wastewater  
20 systems. The service company charges requested by the Company in its  
21 application are based on estimates. I have audited the actual service  
22 company bills sent to AZ\_AM during 2002. These amounts are known

1 and measurable and represent a more accurate level of going forward  
2 charges than the Company's estimates.  
3

4 Q. What is your total adjustment?

5 A. I have decreased test year service company charges by \$787,101. The  
6 adjustment is attributable the actual charges being less than the  
7 Company's estimates. I have allocated this adjustment to the various  
8 water and wastewater systems based on the Company's allocation  
9 factors. As shown on Schedule MDC-9 this results in the following  
10 adjustments:

11	Agua Fria Water	\$(108,935)
12	Anthem Water	(72,098)
13	Anthem Wastewater	(43,920)

14  
15 **Operating Adjustment #4 – AZ\_AM Payroll**

16 Q. Please discuss Operating Adjustment #4 for the AZ\_AM Payroll Expense.

17 A. The Company has proposed this adjustment to replace the test year  
18 Citizens payroll expense removed in Operating Adjustment #2 with its own  
19 payroll expense.  
20  
21

1 Q. Do you agree with the Company's adjustment?

2 A. I agree that it is appropriate to reflect the AZ\_AM payroll in new rates as  
3 opposed to the Citizens payroll expenses. I do not agree with the amount  
4 of payroll expense proposed by the Company.  
5

6 Q. Why not?

7 A. The Company's proposed payroll expense is based on estimates as well  
8 as an estimated capitalization factor. Now that AZ\_AM has operated the  
9 Company for more than a year actual payroll figures and capitalization  
10 rates are available. I therefore have adjusted the Company's estimates to  
11 reflect actual expenses and an actual capitalization rate of 27%. I have  
12 allocated this adjustment to the various systems based on the Company  
13 proposed allocation factors. My adjustments are as follows:

	<u>Payroll</u>	<u>Payroll Tax</u>
14		
15	Agua Fria Water	\$(162,487) (12,430)
16	Anthem Water	(116,339) (8,901)
17	Anthem Wastewater	(48,969) (4,334)

18  
19 **Operating Adjustment #5 – Depreciation Expense**

20 Q. What depreciation expense adjustment have you made?

21 A. I have recalculated depreciation expense based on RUCO's  
22 recommended plant balances and the Company-requested depreciation

1 rates. These calculations are shown on Schedules MDC-11 and result in  
2 the following adjustments:

3	Agua Fria Water	\$17,183
4	Anthem Water	(8,702)
5	Anthem Wastewater	(16,963)

6 RUCO's depreciation calculations are discussed in more depth in the  
7 testimony of Timothy Coley.

8  
9 **Operating Adjustment #6 – Property Taxes**

10 Q. Have you made an adjustment to AZ\_AM requested level of property  
11 taxes?

12 A. Yes. My adjustment is shown on Schedule MDC-12 and decreases  
13 operating expenses as follows:

14	Agua Fria Water	\$(30,608)
15	Anthem Water	(53,360)
16	Anthem Wastewater	(19,643)

17 RUCO witness Timothy Coley sponsors this adjustment and it is  
18 discussed further in his testimony.

**Operating Adjustment #7 – Rate Case Expense**

Q. What level of rate case expense has the Company requested?

A. The Company has requested \$706,000 in rate case expense. This amount is based on the AZ\_AM's estimated completed cost of this rate case at the time it filed its application.

Q. Is this a reasonable level of rate case expense?

A. No. Rate Case Expense of nearly  $\frac{3}{4}$  of a million dollars is exorbitant.

Q. Have you compared AZ\_AM's requested rate case expense with other comparable rate cases?

A. Yes. I have compared AZ\_AM requested level of rate case with other similarly situated multiple system water and wastewater utilities. No water utility of this size has requested, let alone been granted, rate case expense of this magnitude. In Arizona Water Company's most recent case involving eight systems in its Eastern Division it requested rate case expense of \$257,550. In the prior Arizona Water Northern Division case, which involved five systems, the ACC authorized the Company to collect \$216,982 in rate case expense. Moreover, in Citizens' last rate case the Company was granted \$366,231 in rate case expense. The Company's request in the current case is nearly double that allowed in the prior case.

1 Q. Are the issues in the current case any more complex than in the last  
2 case?

3 A. No. I worked on the prior Citizens rate case and recall that there were  
4 several complex and resource intensive issues. Specifically, CAP water  
5 was a significant issue in the last case. Nearly a week of hearing time  
6 was dedicated to that issue alone. I see nothing in this case that would  
7 warrant a level of rate case expense nearly double that allowed in the last  
8 case.

9  
10 Q. What level of rate case expense are you recommending?

11 A. I am recommending the level of rate case expense authorized in the  
12 previous rate case, adjusted for current prices by the Consumer Price  
13 Index. This calculation is shown on Schedule MDC-13, and results in my  
14 recommended rate case expense of \$418,941.

15  
16 Q. How have you allocated the total rate case expense to the individual  
17 systems in this case?

18 A. I based my allocations on the factors used by the Company to apportion  
19 its recommended rate case expense. I adjusted the Company's factors to  
20 exclude Mohave Sewer Company from the allocation. The Company had  
21 allocated some of its proposed rate case expense to Mohave Sewer,  
22 which is not part of this rate application. Failure to correct for this error  
23 would result in less than 100% recovery of the rate case expense

1 ultimately authorized. In accordance with the Company's request I have  
2 utilized a three-year amortization of rate case expense. The following rate  
3 case adjustments are shown on Schedules MDC-13:

4	Agua Fria Water	\$(16,392)
5	Anthem Water	(10,632)
6	Anthem Wastewater	(4,946)

7  
8 **Operating Adjustment #8 – AZ\_AM Overheads**

9 Q. What adjustment have you made to AZ\_AM's proposed overhead  
10 expenses?

11 A. As shown on Schedule MDC-14 I have made the following adjustments:

12	Agua Fria Water	\$(104,101)
13	Anthem Water	(185,339)
14	Anthem Wastewater	(85,302)

15  
16 This adjustment is sponsored by RUCO witness Rodney Moore and is  
17 discussed in depth in his testimony.

18  
19 **Operating Adjustment #9 – Materials and Supplies**

20 Q. Please discuss adjustment #9.

21 A. This adjustment is applicable to the Sun City Wastewater System only and  
22 is addressed in the testimony of Rodney Moore.

**Operating Adjustment #10 – Income Tax Expense**

Q. Please discuss RUCO's income tax expense adjustment.

A. This adjustment is shown on Schedule MDC-15. RUCO witness Timothy Coley discusses the specifics of this adjustment in his direct testimony.

**OTHER ISSUES**

Q. Are there any other issues that you will address?

A. Yes. The Company has requested a special tariff for its Sun City Wastewater system to recover the cost of certain plant additions and improvements to the Tolleson Wastewater Treatment Plant (TWTP). Sun City Wastewater purchases all of its wastewater treatment from the City of Tolleson.

Q. Please describe the proposed tariff.

A. The Company is proposing a cost adjustor mechanism to recover the increased costs associated the Tolleson Wastewater Treatment Plant.

Q. Does the Company currently recover its Tolleson Plant investment and expenses via a cost adjustor mechanism?

A. No. The Company is currently recovering its Tolleson Plant investment and expenses through Sun City Wastewater's base rates.

1 Q. Why can't the new costs be recovered in the same manner?

2 A. The additional Tolleson investment appropriately should be recovered in  
3 the same manner. These types of costs do not qualify for automatic  
4 adjustment under Arizona law. Expenses that qualify for automatic  
5 adjustment are required to be volatile and widely fluctuating in nature.  
6 The investment Sun City will ultimately be required to make in the  
7 Tolleson Plant will be a set amount that will not experience volatile  
8 fluctuations.

9  
10 Q. Why then is the Company requesting adjustor clause treatment for these  
11 costs?

12 A. According to the Company's testimony this request is being made  
13 because the required investment is neither known or measurable at this  
14 time. Construction has not even begun, thus the additions and  
15 improvements are not used and useful. In other words, these assets do  
16 not meet the criteria for rate recognition at this time. It appears the  
17 Company's adjustor mechanism request is merely a vehicle to guarantee  
18 future rate recovery of assets that neither exist or are providing benefit to  
19 ratepayers. This is not the intended purpose of an adjustor mechanism.

1 Q. Have any other events concerning the ratemaking treatment of the  
2 Tolleson plant improvements and additions transpired since the Company  
3 filing of its direct testimony in this docket?

4 A. Yes. In Docket No. W-01303A-03-0375 AZ\_AM filed a request for an  
5 accounting order that would allow it to defer any costs incurred pursuant to  
6 the Tolleson improvement for future rate recovery consideration. The  
7 parties to this Docket<sup>2</sup> have signed a stipulated agreement that would  
8 grant such deferral accounting treatment with the caveat that such  
9 accounting order was not to be considered a preapproval of future  
10 recovery of the deferred costs.

11  
12 Q. In light of this agreement, is an adjustor mechanism still relevant?

13 A. No. Notwithstanding the inappropriateness of the use of an adjustor  
14 mechanism in this situation, with the deferral order there is no need for  
15 such a mechanism. The Tolleson improvement costs will be preserved  
16 under the deferral order and the Company can request rate recovery of  
17 these assets when they are completed in service, as is true with any utility  
18 plant investment.

19  
20 Q. What is your recommendation?

21 A. The requested adjustor mechanism should be denied. As discussed, the  
22 Tolleson improvement costs do not meet the criteria for an adjustor

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<sup>2</sup> ACC Staff, AZ-AM, RUCO, and the Town of Youngtown.

1 mechanism, nor is such a mechanism even necessary in light of the  
2 deferral accounting order stipulation.

3  
4 **COST OF CAPITAL**

5 Q. What cost of capital is RUCO recommending for the AZ\_AM water and  
6 wastewater systems?

7 A. RUCO is recommending an overall cost of capital of 6.57%. These  
8 calculations are shown on Schedule WAR-1 and also discussed in detail  
9 in the testimony of RUCO witness William Rigsby.

10  
11 **RATE DESIGN**

12 Q. Please discuss your proposed rate design.

13 A. My proposed rate design resembles the rate design that is currently in  
14 place for each of the systems I analyzed. Generally, I have maintained  
15 the same relationship between meter sizes, allocations between  
16 minimums and commodity rates, as well as current tier structures. The  
17 Company did not offer a cost of service study, thus there is no data to  
18 support any widespread changes to the existing structure.

19  
20 Q. What are your proposed rates?

21 A. My proposed rates for Agua Fria Water, Anthem Water, and Anthem  
22 Wastewater are shown on Schedules MDC-16, pages 1 and 2. I have  
23 accepted the Company-proposed other service charges (i.e establishment

1 fees, reconnection fees, NSF check, etc.) as shown on Schedule H-3,  
2 page 3 of AZ\_AM's application.  
3

4 Q. Does this complete your direct testimony?

5 A. Yes.  
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ARIZONA AMERICAN - AGUA FRIA WATER  
DOCKET NO. W-01303-02-0868  
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ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
REVENUE REQUIREMENTS

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-1  
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO RECOMMENDED
1	RATE BASE	\$19,019,624	10,836,161	29,855,785	16,228,561
2	ADJUSTED OPERATING INCOME	1,215,779		1,215,779	1,442,825
3	CURRENT RATE OF RETURN	6.39%		4.07%	8.89%
4	REQUIRED OPERATING INCOME	1,474,021		2,313,823	1,066,216
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.57%
6	OPERATING INCOME DE(SUF)ICIENCY	258,242		1,098,044	(376,608)
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287
8	INCREASE IN REVENUE REQUIREMENT	\$420,573		\$1,788,275	(\$613,371)
9	TEST YEAR REVENUE	6,186,037		6,186,037	6,186,037
10	PROPOSED REVENUE	6,606,610		7,974,312	5,572,666
11	PERCENTAGE INCREASE	6.80%		28.91%	-9.92%
12	RETURN ON EQUITY				

REFERENCES

COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
REVENUE CONVERSION FACTOR

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-1  
PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	LESS: TAX RATE	<u>0.3860</u>	NOTE (A)
3	SUBTOTAL	0.6140	LINE 1 - LINE 2
4	REVENUE CONVERSION FACTOR	1.6287	LINE 1/LINE 3

NOTE (A)

CALCULATION OF EFFECTIVE TAX RATE =

OPERATING INCOME BEFORE TAXES		100.00%
ARIZONA STATE TAX	-	<u>6.97%</u>
FEDERAL TAXABLE INCOME		93.03%
FEDERAL TAX RATE	x	<u>34.00%</u>
FEDERAL INCOME TAX		31.63%
EFFECTIVE TAX RATE		<u><u>38.60%</u></u>

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
RATE BASE

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO PROFORMA ADJUSTMENTS	(E) RUCO RECOMMENDED
1	PLANT IN SERVICE	\$58,322,512	(7,402,630)	50,919,882	(33,623)	50,886,259
2	ACCUMULATED DEPRECIATION	5,658,666	(664,967)	4,993,699	287,901	5,281,600
3	NET PLANT	52,663,846	(6,737,663)	45,926,183	(321,525)	45,604,658
4	LESS:					
5	AIAC	31,366,601	(3,981,231)	27,385,370	0	27,385,370
6	CIAC	2,260,332	(286,894)	1,973,438	0	1,973,438
7	AMORTIZATION OF CIAC		0	0	0	0
8	METER DEPOSITS	17,289	0	17,289	0	17,289
9	ADIT		0	0	0	0
10	ITC		0	0	0	0
11	PLUS:					
12	UNAMORTIZED FINANCE CHRGS.		0	0	0	0
13	DEFERRED TAX ASSETS		0	0	0	0
14	WORKING CAPITAL		0	0	0	0
15	ACQUISITION ADJUSTMENT		13,305,699	13,305,699	(13,305,699)	0
16	TOTAL RATE BASE	\$19,019,624	\$10,836,161	\$29,855,785	(\$13,627,224)	\$16,228,561

REFERENCES  
COLUMN (A): COMPANY SCH. B-1  
COLUMN (B): COLUMN (C) - COLUMN (B)  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-3  
COLUMN (E): COLUMN (C) + COLUMN (B)

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-3

LINE NO.	DESCRIPTION	PER COMPANY ORIG. COST	ADJ #1	ADJ #2	ADJ #3	ADJ #4	RUCO ADJUSTED
1	PLANT IN SERVICE	\$50,919,882	2,380	(36,003)			50,886,259
2	ACCUMULATED DEPRECIATION	4,993,699	293,972	(6,071)			5,281,600
3	NET PLANT	45,926,183	(291,592)	(29,932)	0	0	45,604,658
LESS:							
4	AIAC	27,385,370					27,385,370
5	CIAC	1,973,438					1,973,438
6	AMORTIZATION OF CIAC	0					0
7	METER DEPOSITS	17,289					17,289
8	ADIT	0					0
9	ITC	0					0
PLUS:							
10	UNAMORTIZED FINANCE CHRGS.	0					0
11	DEFERRED TAX ASSETS	0					0
12	WORKING CAPITAL	0					0
13	ACQUISITION ADJUSTMENT	13,305,699			(13,305,699)	0	0
14	TOTAL RATE BASE	\$29,855,785	(\$291,592)	(\$29,932)	(\$13,305,699)	\$0	\$16,228,561

ADJ #	REFERENCE
1	TY PLANT & ACCUM. DEPREC.
2	PROFORMA PLANT & ACCUM. DEPREC.
3	ACQUISITION ADJUSTMENT
4	NOT USED
	SCH. MDC-4
	SCH. MDC-5
	TESTIMONY MDC

LINE NO.	ACCT. NO.	DESCRIPTION	PLANT @3/31/95	ACCUM. DEPREC @3/31/95	1995 PLANT ADDS	1995 RETIREMENTS	PLANT BALANCE	1995 END ACCUMULATED DEPRECIATION	NET PLANT BALANCE
1	301	INTANGIBLE ORGANIZATION	\$1,194	0			1,194	0	1,194
2	302	FRANCHISES	30,036	0	49,790		79,826	0	79,826
3	303	MISC. INTANGIBLE	8,346	0			8,346	0	8,346
4		TOTAL INTANGIBLE	39,576	0	49,790	0	89,366	0	89,366
5	310	SOURCE OF SUPPLY							
6	311	LAND & LAND RIGHTS	67,600	0	83,494		151,094	0	151,094
7	312	STRUCTURES & IMPROVEMENTS	53,882	9,834			53,882	11,181	42,701
8	313	COLLECTING & IMPOUNDING	0	0			0	0	0
9	314	LAKES, RIVER & INTAKES	0	0			0	0	0
10		WELL & SPRINGS	390,882	75,760	471		391,353	85,616	305,737
		TOTAL SOURCE OF SUPPLY	512,364	85,594	83,965	0	596,329	96,797	499,532
11	320	PUMPING							
12	321	LAND & LAND RIGHTS	10,261	0			10,261	0	10,261
13	322	STRUCTURES & IMPROVEMENTS	47,745	(6,129)	232		47,977	(5,329)	53,306
14	323	OTHER POWER PRODUCTION	0	0			0	0	0
15	324	ELECTRIC PUMPING EQUIP.	1,247,683	364,341	19,853	(700)	1,266,836	419,212	847,624
16	325	DIESEL PUMPING EQUIP.	22,118	9,800			22,118	10,778	11,340
17	326	GAS ENGINE PUMPING EQUIP.	708	86			708	117	591
		TOTAL PUMPING	1,328,515	368,099	20,085	(700)	1,347,900	424,778	923,122
18	303	WATER TREATMENT							
19	331	LAND & LAND RIGHTS	29,881	4,584			29,881	0	24,798
20	332	STRUCTURE & IMPROVEMENTS	32,708	9,813	456		33,164	11,131	22,033
21		TOTAL WATER TREATMENT	62,589	14,397	456	0	63,045	16,213	46,831
22	340	TRANSMISSION & DISTRIBUTION							
23	341	LAND & LAND RIGHTS	219	0			219	0	219
24	342	STRUCTURES & IMPROVEMENTS	0	(16,610)			0	0	0
25	343	DISTRIBUTION & RESERVOIRS	358,651	492,228	114,232	(228)	4,138,103	(10,620)	369,271
26	344	TRANSMISSION & DISTRIBUTION	4,024,099	0		(12,542)	(12,542)	554,441	3,583,662
27	345	FIRE MAINS	0	0		(89)	0	0	0
28	346	SERVICES	623,747	91,092	93,004	(1,516)	716,662	107,624	609,038
29	347	METERS	107,552	14,018	23,703		129,739	15,480	114,259
30	348	HYDRANTS	402,341	73,692	17,113		419,454	81,910	337,544
31		OTHER	0	0			0	0	0
		TOTAL TRANS. & DISTRIBUTION	5,516,608	654,420	248,052	(14,375)	5,750,285	736,293	5,013,992
32	389	GENERAL							
33	390	LAND & LAND RIGHTS	0	0			0	0	0
34	391	STRUCTURES & IMPROVEMENTS	45,350	0			45,350	762	44,588
35	391.1	OFFICE FURNITURE & EQUIP.	76,102	0			76,102	3,463	72,639
36	392	COMPUTER EQUIP.	0	0			0	0	0
37	393	TRANSPORTATION EQUIP.	86,162	20,944	48,354		134,516	48,528	85,988
38	394	STORES EQUIP.	0	0			0	0	0
39	395	TOOLS, SHOP & GARAGE	1,175	37			1,175	86	1,089
40	396	LABORATORY	0	0			0	0	0
41	397	POWER OPERATED EQUIP.	0	0			0	0	0
42	398	COMMUNICATION EQUIP.	4,026	2,651	(1)		4,025	3,065	960
43		MISCELLANEOUS EQUIP.	21,574	6,213			21,574	7,288	14,286
		TOTAL GENERAL	234,389	29,845	48,353	0	282,742	63,191	219,551
44		TOTAL PLANT	\$7,694,041	\$1,152,355	\$450,701	(\$15,075)	\$8,129,667	\$1,337,272	\$6,792,395

LINE NO.	ACCT. NO.	DESCRIPTION	1996 PLANT ADDS	1996 RETIREMENTS	1996 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1996 END NET PLANT BALANCE
<b>INTANGIBLE</b>							
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES	\$253	(2,000)	78,079	0	78,079
3	303	MISC. INTANGIBLE			8,346	0	8,346
4		TOTAL INTANGIBLE	<u>253</u>	<u>(2,000)</u>	<u>87,619</u>	<u>0</u>	<u>87,619</u>
<b>SOURCE OF SUPPLY</b>							
5	310	LAND & LAND RIGHTS	396		151,490	0	151,490
6	311	STRUCTURES & IMPROVEMENTS	145,949		199,831	14,072	185,758
7	312	COLLECTING & IMPOUNDING			0	0	0
8	313	LAKES, RIVER & INTAKES			0	0	0
9	314	WELL & SPRINGS	534,464		925,817	100,055	825,762
10		TOTAL SOURCE OF SUPPLY	<u>680,809</u>	<u>0</u>	<u>1,277,138</u>	<u>114,128</u>	<u>1,163,010</u>
<b>PUMPING</b>							
11	320	LAND & LAND RIGHTS			10,261	0	10,261
12	321	STRUCTURES & IMPROVEMENTS			47,977	(4,439)	52,416
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	419,910	(4,145)	1,682,601	461,720	1,220,881
15	326	DIESEL PUMPING EQUIP.	3,440		25,558	11,355	14,203
16	328.1	GAS ENGINE PUMPING EQUIP.			708	144	565
17		TOTAL PUMPING	<u>423,350</u>	<u>(4,145)</u>	<u>1,767,105</u>	<u>468,780</u>	<u>1,298,325</u>
<b>WATER TREATMENT</b>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS			29,881	5,497	24,384
20	332	WATER TREATMENT EQUIP.	11,693	(10)	44,847	12,236	32,611
21		TOTAL WATER TREATMENT	<u>11,693</u>	<u>(10)</u>	<u>74,728</u>	<u>17,733</u>	<u>56,995</u>
<b>TRANSMISSION &amp; DISTRIBUTION</b>							
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS			0	0	0
24	342	DISTRIBUTION & RESERVOIRS			358,651	(4,454)	363,105
25	434	TRANSMISSION & DISTRIBUTION	626,461	(47)	4,764,517	614,016	4,150,501
26	344	FIRE MAINS			(12,542)	(12,542)	0
27	345	SERVICES	168,378	(6,954)	878,086	117,776	760,310
28	346	METERS	51,646	(6,287)	175,098	12,630	162,468
29	348	HYDRANTS	46,030	(137)	465,347	88,983	376,364
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	<u>892,515</u>	<u>(13,425)</u>	<u>6,629,375</u>	<u>816,409</u>	<u>5,812,966</u>
<b>GENERAL</b>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			45,350	1,511	43,839
34	391	OFFICE FURNITURE & EQUIP.			76,102	6,768	69,334
35	391.1	COMPUTER EQUIP.			0	0	0
36	392	TRANSPORTATION EQUIP.	18,686		153,202	72,361	80,841
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			1,175	131	1,044
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.			4,025	3,163	862
42	398	MISCELLANEOUS EQUIP.	35,717		57,291	8,889	48,402
43		TOTAL GENERAL	<u>54,403</u>	<u>0</u>	<u>337,145</u>	<u>92,823</u>	<u>244,322</u>
44		TOTAL PLANT	<u>\$2,063,023</u>	<u>(\$19,580)</u>	<u>\$10,173,110</u>	<u>\$1,509,872</u>	<u>\$8,663,238</u>

LINE NO.	ACCT. NO.	DESCRIPTION	1997 PLANT ADDS	1997 RETIREMENTS	1997 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1997 END NET PLANT BALANCE
		<b>INTANGIBLE</b>					
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES		(86)	77,993	0	77,993
3	303	MISC. INTANGIBLE	117,453		125,799	0	125,799
4		TOTAL INTANGIBLE	117,453	(86)	204,986	0	204,986
		<b>SOURCE OF SUPPLY</b>					
5	310	LAND & LAND RIGHTS		(3,215)	148,275	0	148,275
6	311	STRUCTURES & IMPROVEMENTS	98,651		298,482	19,950	278,532
7	312	COLLECTING & IMPOUNDING	0		0	0	0
8	313	LAKES, RIVER & INTAKES	0		0	0	0
9	314	WELL & SPRINGS	324,150		1,249,967	124,949	1,125,018
10		TOTAL SOURCE OF SUPPLY	422,801	(3,215)	1,696,724	144,898	1,551,826
		<b>PUMPING</b>					
11	320	LAND & LAND RIGHTS	27,901	(1,100)	37,062	0	37,062
12	321	STRUCTURES & IMPROVEMENTS	430,165		478,142	28	478,114
13	323	OTHER POWER PRODUCTION	0		0	0	0
14	325	ELECTRIC PUMPING EQUIP.	2,526,331		4,208,932	571,515	3,637,417
15	326	DIESEL PUMPING EQUIP.		(243)	25,315	11,735	13,580
16	328.1	GAS ENGINE PUMPING EQUIP.		(40)	668	128	541
17		TOTAL PUMPING	2,984,397	(1,383)	4,750,119	583,405	4,166,714
		<b>WATER TREATMENT</b>					
18	303	LAND & LAND RIGHTS	0		0	0	0
19	331	STRUCTURE & IMPROVEMENTS	14,061		43,942	6,021	37,920
20	332	WATER TREATMENT EQUIP.	134,740		179,587	16,235	163,352
21		TOTAL WATER TREATMENT	148,801	0	223,529	22,256	201,272
		<b>TRANSMISSION &amp; DISTRIBUTION</b>					
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS	0		0	0	0
24	342	DISTRIBUTION & RESERVOIRS	457,934		816,585	5,434	811,151
25	434	TRANSMISSION & DISTRIBUTION	6,597,844		11,362,361	727,992	10,634,369
26	344	FIRE MAINS	0		(12,542)	(12,542)	0
27	345	SERVICES	621,039		1,499,125	144,332	1,354,792
28	346	METERS	447,809		622,907	22,328	600,579
29	348	HYDRANTS	777,573		1,242,920	104,286	1,138,634
30	349	OTHER	0		0	0	0
31		TOTAL TRANS. & DISTRIBUTION	8,902,199	0	15,531,574	991,831	14,539,743
		<b>GENERAL</b>					
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS	98,201		143,551	3,072	140,479
34	391	OFFICE FURNITURE & EQUIP.	80,869		156,971	11,762	145,209
35	391.1	COMPUTER EQUIP.	23,162		23,162	527	22,635
36	392	TRANSPORTATION EQUIP.	73,048		226,250	101,702	124,548
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			1,175	174	1,001
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.		(278)	3,747	2,960	787
42	398	MISCELLANEOUS EQUIP.		(820)	56,471	10,459	46,012
43		TOTAL GENERAL	275,280	(1,098)	611,327	130,656	480,671
44		TOTAL PLANT	\$12,850,931	(\$5,782)	\$23,018,259	\$1,873,047	\$21,145,212

LINE NO.	ACCT. NO.	DESCRIPTION	1998 PLANT ADDS	1998 RETIREMENTS	1998 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1998 END NET PLANT BALANCE
<b>INTANGIBLE</b>							
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES	\$17		78,010	0	78,010
3	303	MISC. INTANGIBLE	2,536		128,335	0	128,335
4		TOTAL INTANGIBLE	2,553	0	207,539	0	207,539
<b>SOURCE OF SUPPLY</b>							
5	310	LAND & LAND RIGHTS	67,434		215,709	0	215,709
6	311	STRUCTURES & IMPROVEMENTS	205,679		504,161	29,983	474,178
7	312	COLLECTING & IMPOUNDING			0	0	0
8	313	LAKES, RIVER & INTAKES			0	0	0
9	314	WELL & SPRINGS	461,934		1,711,901	162,268	1,549,633
10		TOTAL SOURCE OF SUPPLY	735,047	0	2,431,771	192,251	2,239,520
<b>PUMPING</b>							
11	320	LAND & LAND RIGHTS	950		38,012	0	38,012
12	321	STRUCTURES & IMPROVEMENTS	(7,511)		470,631	7,950	462,681
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	946,547	(6,938)	5,148,541	771,377	4,377,164
15	326	DIESEL PUMPING EQUIP.	(162)		25,153	12,850	12,303
16	328.1	GAS ENGINE PUMPING EQUIP.	8		676	157	519
17		TOTAL PUMPING	939,832	(6,938)	5,683,013	792,335	4,890,678
<b>WATER TREATMENT</b>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS	358		44,300	6,758	37,541
20	332	WATER TREATMENT EQUIP.	59,771		239,358	24,614	214,744
21		TOTAL WATER TREATMENT	60,129	0	283,658	31,372	252,285
<b>TRANSMISSION &amp; DISTRIBUTION</b>							
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS			0	0	0
24	342	DISTRIBUTION & RESERVOIRS	20,835		837,420	19,245	818,175
25	434	TRANSMISSION & DISTRIBUTION	2,331,109		13,693,470	919,669	12,773,801
26	344	FIRE MAINS			(12,542)	(12,542)	0
27	345	SERVICES	361,251	(15,852)	1,844,524	169,942	1,674,582
28	346	METERS	327,032	(5,271)	944,668	36,730	907,938
29	348	HYDRANTS	399,541		1,642,461	133,140	1,509,321
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	3,439,768	(21,123)	18,950,219	1,266,184	17,684,035
<b>GENERAL</b>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			143,551	5,484	138,067
34	391	OFFICE FURNITURE & EQUIP.	1,022		157,993	18,928	139,065
35	391.1	COMPUTER EQUIP.	1,607		24,769	1,617	23,152
36	392	TRANSPORTATION EQUIP.	207		226,457	158,291	68,166
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE	2,502		3,677	275	3,402
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.	55		3,802	3,348	454
42	398	MISCELLANEOUS EQUIP.	80		56,551	13,273	43,278
43		TOTAL GENERAL	5,473	0	616,800	201,215	415,585
44		TOTAL PLANT	\$5,182,802	(\$28,061)	\$28,173,000	\$2,483,356	\$25,689,643

LINE NO.	ACCT. NO.	DESCRIPTION	1999 PLANT ADDS	1999 RETIREMENTS	1999 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1999 END NET PLANT BALANCE
<u>INTANGIBLE</u>							
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES			78,010	0	78,010
3	303	MISC. INTANGIBLE	\$122,000		250,335	0	250,335
4		TOTAL INTANGIBLE	122,000	0	329,539	0	329,539
<u>SOURCE OF SUPPLY</u>							
5	310	LAND & LAND RIGHTS			215,709	0	215,709
6	311	STRUCTURES & IMPROVEMENTS			504,161	42,587	461,574
7	312	COLLECTING & IMPOUNDING			0	0	0
8	313	LAKES, RIVER & INTAKES			0	0	0
9	314	WELL & SPRINGS	419		1,712,320	205,413	1,506,907
10		TOTAL SOURCE OF SUPPLY	419	0	2,432,190	248,000	2,184,190
<u>PUMPING</u>							
11	320	LAND & LAND RIGHTS			38,012	0	38,012
12	321	STRUCTURES & IMPROVEMENTS	3,113		473,744	15,836	457,908
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	397,420		5,545,961	1,007,725	4,538,235
15	326	DIESEL PUMPING EQUIP.			25,153	13,962	11,191
16	328.1	GAS ENGINE PUMPING EQUIP.			676	187	489
17		TOTAL PUMPING	400,533	0	6,083,546	1,037,710	5,045,836
<u>WATER TREATMENT</u>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS			44,300	7,498	36,802
20	332	WATER TREATMENT EQUIP.	2,545		241,903	34,239	207,664
21		TOTAL WATER TREATMENT	2,545	0	286,203	41,737	244,465
<u>TRANSMISSION &amp; DISTRIBUTION</u>							
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS			0	0	0
24	342	DISTRIBUTION & RESERVOIRS			837,420	33,230	804,190
25	434	TRANSMISSION & DISTRIBUTION	3,403,170		17,096,640	1,155,214	15,941,426
26	344	FIRE MAINS			(12,542)	(12,542)	0
27	345	SERVICES	447,070		2,291,594	221,230	2,070,364
28	346	METERS	434,953		1,379,621	65,900	1,313,721
29	348	HYDRANTS	552,134		2,194,595	171,511	2,023,085
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	4,837,327	0	23,787,546	1,634,541	22,153,005
<u>GENERAL</u>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			143,551	7,896	135,655
34	391	OFFICE FURNITURE & EQUIP.			157,993	26,116	131,877
35	391.1	COMPUTER EQUIP.			24,769	2,744	22,025
36	392	TRANSPORTATION EQUIP.	101,969		328,426	227,651	100,775
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			3,677	427	3,250
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.			3,802	3,738	64
42	398	MISCELLANEOUS EQUIP.			56,551	16,089	40,462
43		TOTAL GENERAL	101,969	0	718,769	284,662	434,107
44		TOTAL PLANT	\$5,464,793	\$0	\$33,637,793	\$3,246,651	\$30,391,142

LINE NO.	ACCT. NO.	DESCRIPTION	2000 PLANT ADDS	2000 RETIREMENTS	2000 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2000 END NET PLANT BALANCE
<b>INTANGIBLE</b>							
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES			78,010	0	78,010
3	303	MISC. INTANGIBLE	(\$152,489)		97,846	0	97,846
4		TOTAL INTANGIBLE	(152,489)	0	177,050	0	177,050
<b>SOURCE OF SUPPLY</b>							
5	310	LAND & LAND RIGHTS			215,709	0	215,709
6	311	STRUCTURES & IMPROVEMENTS	383,439	(34,114)	833,486	25,193	808,293
7	312	COLLECTING & IMPOUNDING			0	0	0
8	313	LAKES, RIVER & INTAKES			0	0	0
9	314	WELL & SPRINGS	(53,930)	(8,476)	1,649,914	239,302	1,410,612
10		TOTAL SOURCE OF SUPPLY	309,509	(42,590)	2,699,109	264,495	2,434,614
<b>PUMPING</b>							
11	320	LAND & LAND RIGHTS			38,012	0	38,012
12	321	STRUCTURES & IMPROVEMENTS	492,115		965,859	27,856	938,002
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	7,149,121	(235,408)	12,459,674	1,170,242	11,289,432
15	326	DIESEL PUMPING EQUIP.			25,153	15,074	10,080
16	328.1	GAS ENGINE PUMPING EQUIP.			676	217	459
17		TOTAL PUMPING	7,641,236	(235,408)	13,489,374	1,213,389	12,275,985
<b>WATER TREATMENT</b>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS			44,300	8,238	36,062
20	332	WATER TREATMENT EQUIP.	90,531	(13,009)	319,425	32,457	286,968
21		TOTAL WATER TREATMENT	90,531	(13,009)	363,725	40,695	323,030
<b>TRANSMISSION &amp; DISTRIBUTION</b>							
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS			0	0	0
24	342	DISTRIBUTION & RESERVIORS	1,686,655	(104,893)	2,419,182	(44,470)	2,463,652
25	434	TRANSMISSION & DISTRIBUTION	2,001,985	(63,326)	19,035,299	1,368,297	17,667,002
26	344	FIRE MAINS			(12,542)	(12,542)	0
27	345	SERVICES	176,723	(30,434)	2,437,883	249,441	2,188,442
28	346	METERS	189,598	(577)	1,568,642	102,324	1,466,318
29	348	HYDRANTS	321,611	(20,768)	2,495,438	197,643	2,297,795
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	4,376,572	(219,998)	27,944,120	1,860,692	26,083,428
<b>GENERAL</b>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			143,551	10,307	133,244
34	391	OFFICE FURNITURE & EQUIP.		(1)	157,992	33,304	124,688
35	391.1	COMPUTER EQUIP.	14,371		39,140	4,198	34,942
36	392	TRANSPORTATION EQUIP.	46,188	(14,248)	360,366	299,502	60,864
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			3,677	579	3,098
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.			3,802	4,129	(327)
42	398	MISCELLANEOUS EQUIP.			56,551	18,905	37,646
43		TOTAL GENERAL	60,559	(14,249)	765,079	370,925	394,154
44		TOTAL PLANT	\$12,325,918	(\$525,254)	\$45,438,457	\$3,750,196	\$41,688,261

LINE NO.	ACCT. NO.	DESCRIPTION	2001 PLANT ADDS	2001 RETIREMENTS	2001 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2001 END NET PLANT BALANCE
<b>INTANGIBLE</b>							
1	301	ORGANIZATION			1,194	0	1,194
2	302	FRANCHISES			78,010	0	78,010
3	303	MISC. INTANGIBLE	\$17,418		115,264	0	115,264
4		TOTAL INTANGIBLE	17,418	0	194,468	0	194,468
<b>SOURCE OF SUPPLY</b>							
5	310	LAND & LAND RIGHTS			215,709	0	215,709
6	311	STRUCTURES & IMPROVEMENTS	309,108		1,142,594	49,264	1,093,329
7	312	COLLECTING & IMPOUNDING			0	0	0
8	313	LAKES, RIVER & INTAKES			0	0	0
9	314	WELL & SPRINGS	1,777,051	(162)	3,426,803	297,076	3,129,727
10		TOTAL SOURCE OF SUPPLY	2,086,159	(162)	4,785,106	346,340	4,438,766
<b>PUMPING</b>							
11	320	LAND & LAND RIGHTS	9,668		47,680	0	47,680
12	321	STRUCTURES & IMPROVEMENTS	279,482		1,245,341	45,855	1,199,486
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	2,001,218	(1,435)	14,459,457	1,711,995	12,747,462
15	326	DIESEL PUMPING EQUIP.			25,153	15,519	9,634
16	328.1	GAS ENGINE PUMPING EQUIP.			676	237	439
17		TOTAL PUMPING	2,290,368	(1,435)	15,778,307	1,773,606	14,004,701
<b>WATER TREATMENT</b>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS			44,300	8,840	35,460
20	332	WATER TREATMENT EQUIP.	51,861		371,286	44,973	326,313
21		TOTAL WATER TREATMENT	51,861	0	415,586	53,813	361,773
<b>TRANSMISSION &amp; DISTRIBUTION</b>							
22	340	LAND & LAND RIGHTS			219	0	219
23	341	STRUCTURES & IMPROVEMENTS			0	0	0
24	342	DISTRIBUTION & RESERVOIRS	431,917		2,851,099	279	2,850,820
25	434	TRANSMISSION & DISTRIBUTION	2,237,233		21,272,532	1,655,717	19,616,815
26	344	FIRE MAINS			(12,542)	(12,542)	0
27	345	SERVICES	252,369		2,690,252	306,844	2,383,408
28	346	METERS	171,096		1,739,738	141,275	1,598,462
29	348	HYDRANTS	294,285		2,789,723	246,542	2,543,182
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	3,386,900	0	31,331,020	2,338,115	28,992,905
<b>GENERAL</b>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			143,551	12,546	131,005
34	391	OFFICE FURNITURE & EQUIP.	5,747	(1,854)	161,885	37,212	124,673
35	391.1	COMPUTER EQUIP.	22,745		61,885	6,306	55,579
36	392	TRANSPORTATION EQUIP.	66,561	(66,305)	360,622	248,445	112,177
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			3,677	707	2,970
39	395	LABORATORY			0	0	0
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.			3,802	4,096	(294)
42	398	MISCELLANEOUS EQUIP.	2,020		58,571	20,830	37,741
43		TOTAL GENERAL	97,073	(68,159)	793,993	330,142	463,851
44		TOTAL	\$7,929,779	(\$69,756)	\$53,298,480	\$4,842,016	\$48,456,464

LINE NO.	ACCT. NO.	DESCRIPTION	RUCO TEST YEAR PLANT	COMPANY GENERAL PLANT ADJ.	COMPANY COMMON PLANT ADJ.	RUCO T/Y PLANT POST-ACQ.	RUCO TEST YEAR ACCUM. DEPREC	COMPANY GENERAL ACCUM. ADJ.	COMPANY COMMON ACCUM. ADJ.	RUCO T/Y ACCUM. DEPR. POST-ACQ.
1	301	INTANGIBLE								0
2	302	ORGANIZATION	\$1,194			1,194	0			0
3	303	FRANCHISES	78,010			78,010	0			0
4		MISC. INTANGIBLE	115,264			115,264	0		0	0
		TOTAL INTANGIBLE	194,468	0		194,468	0	0		0
5	310	SOURCE OF SUPPLY								0
6	311	LAND & LAND RIGHTS	215,709			215,709	0			0
7	312	STRUCTURES & IMPROVEMENTS	1,142,594			1,142,594	48,264			48,264
8	313	COLLECTING & IMPOUNDING	0			0	0			0
9	314	LAKES, RIVER & INTAKES	0			0	0			0
10		WELL & SPRINGS	3,428,803			3,428,803	297,076			297,076
		TOTAL SOURCE OF SUPPLY	4,785,106	0		4,785,106	346,340	0		346,340
11	320	PUMPING								0
12	321	LAND & LAND RIGHTS	47,880			47,880	0			0
13	323	STRUCTURES & IMPROVEMENTS	1,245,341			1,245,341	45,855			45,855
14	325	OTHER POWER PRODUCTION	0			0	0			0
15	326	ELECTRIC PUMPING EQUIP.	14,459,457			14,459,457	1,711,995			1,711,995
16		DIESEL PUMPING EQUIP.	25,153			25,153	15,519			15,519
17	328.1	GAS ENGINE PUMPING EQUIP.	676			676	237			237
		TOTAL PUMPING	15,778,307	0		15,778,307	1,773,606	0		1,773,606
18	303	WATER TREATMENT								0
19	331	LAND & LAND RIGHTS	0			0	0			0
20	332	STRUCTURE & IMPROVEMENTS	44,300			44,300	8,840			8,840
21		WATER TREATMENT EQUIP.	371,286			371,286	44,973		0	44,973
		TOTAL WATER TREATMENT	415,586	0		415,586	53,813	0		53,813
22	340	TRANSMISSION & DISTRIBUTION								0
23	341	LAND & LAND RIGHTS	219			219	0			0
24	342	STRUCTURES & IMPROVEMENTS	0			0	0			0
25	343	DISTRIBUTION & RESERVOIRS	2,851,099			2,851,099	279			279
26	344	TRANSMISSION & DISTRIBUTION	21,272,532			21,272,532	1,655,717			1,655,717
27	345	FIRE MAINS	(12,542)			(12,542)	(12,542)			(12,542)
28	346	SERVICES	2,690,252			2,690,252	306,844			306,844
29	347	METERS	1,739,738			1,739,738	141,275			141,275
30	348	HYDRANTS	2,789,723			2,789,723	246,542			246,542
31		OTHER	0			0	0		0	0
		TOTAL TRANS. & DISTRIBUTION	31,331,020	0		31,331,020	2,338,115	0		2,338,115
32	389	GENERAL								
33	390	LAND & LAND RIGHTS	0			0	0			0
34	391	STRUCTURES & IMPROVEMENTS	143,551			143,551	12,548		43,425	43,425
35	391.1	OFFICE FURNITURE & EQUIP.	61,885			61,885	37,212		50,343	50,343
36	392	COMPUTER EQUIP.	181,885			181,885	6,306		(60,705)	(60,705)
37	393	TRANSPORTATION EQUIP.	360,622			360,622	248,445		144,977	144,977
38	394	STORES EQUIP.	0			0	0		1,087	1,087
39	395	TOOLS, SHOP & GARAGE	3,677			3,677	707		2,547	2,547
40	396	LABORATORY	0			0	0		3,205	3,205
41	397	POWER OPERATED EQUIP.	0			0	0		5,979	5,979
42	398	COMMUNICATION EQUIP.	3,802			3,802	4,086		46,447	46,447
43		MISCELLANEOUS EQUIP.	58,571			58,571	20,830		17,939	17,939
		TOTAL GENERAL	793,993	(793,993)		1,273,919	330,142	(330,142)	255,244	255,244
44		TOTALS	\$53,298,480	(\$793,993)	\$1,273,919	\$53,778,406	\$4,842,016	(\$330,142)	\$255,244	\$4,767,118
45		TOTALS PER COMPANY				53,776,026				4,473,146
46		ADJUSTMENTS								\$293,972

LINE NO.	ACCT. NO.	DESCRIPTION	RUCO TY PLANT	RUCO PROFORMA PLANT	ORCOM & PLANT AT CLOSING	RUCO RECOMMENDED PLANT	RUCO TY ACC. DEP	DEPREC. ON PROFORMA PLANT	ACC. DEPREC. PLANT AT CLOSING	RUCO RECOMMENDED ACC. DEP.
1	301	INTANGIBLE								
2	302	ORGANIZATION	\$1,194		73,137	74,331	0	0		0
3	303	FRANCHISES	78,010			78,010	0	0		0
4		MISC. INTANGIBLE	115,284			115,284	0	0		0
		TOTAL INTANGIBLE	184,468	0	73,137	267,605	0	0	0	0
5	310	SOURCE OF SUPPLY								
6	311	LAND & LAND RIGHTS	215,709			215,709	0	0		0
7	312	STRUCTURES & IMPROVEMENTS	1,142,594	106,194	(6,495)	1,242,293	49,264	1,246	14,215	64,728
8	313	COLLECTING & IMPOUNDING	0			0	0	0		0
9	314	LAKES, RIVER & INTAKES	0			0	0	0		0
10		WELL & SPRINGS	3,428,803		603,779	4,030,582	297,076	7,608	50,909	355,592
		TOTAL SOURCE OF SUPPLY	4,785,106	106,194	597,284	5,488,584	346,340	8,854	65,124	420,318
11	320	PUMPING								
12	321	LAND & LAND RIGHTS	47,680			47,680	0	0		0
13	322	STRUCTURES & IMPROVEMENTS	1,245,341			1,245,341	45,855	0	10,406	56,261
14	323	OTHER POWER PRODUCTION	0			0	0	0		0
15	325	ELECTRIC PUMPING EQUIP.	14,459,457		43,027	14,502,484	1,711,995	951	321,178	2,034,124
16	326	DIESEL PUMPING EQUIP.	25,153			25,153	15,519	0	570	16,089
17	328.1	GAS ENGINE PUMPING EQUIP.	676			676	237	0	15	252
		TOTAL PUMPING	15,778,307	0	43,027	15,821,334	1,773,606	951	332,166	2,106,726
18	303	WATER TREATMENT								
19	331	LAND & LAND RIGHTS	0			0	0	0		0
20	332	STRUCTURE & IMPROVEMENTS	44,300			44,300	8,840	0	3,430	12,270
21		WATER TREATMENT EQUIP.	371,286	44,897		416,183	44,973	888	4,450	50,321
		TOTAL WATER TREATMENT	415,586	44,897	0	460,483	53,813	888	7,880	62,591
22	340	TRANSMISSION & DISTRIBUTION								
23	341	LAND & LAND RIGHTS	219			219	0	0		0
24	342	STRUCTURES & IMPROVEMENTS	0			0	0	0		0
25	343	DISTRIBUTION & RESERVOIRS	2,851,099		56	2,851,155	279	0	23,885	24,165
26	344	TRANSMISSION & DISTRIBUTION	21,272,532	77,154	(4,128,730)	17,220,956	1,655,717	(30,995)	(33,636)	1,591,086
27	345	FIRE MAINS	(12,542)			(12,542)	(12,542)	0		(12,542)
28	346	SERVICES	2,690,252	1		2,690,253	306,844	0	33,393	340,237
29	347	METERS	1,739,738			1,739,738	141,275	0	21,881	163,156
30	348	HYDRANTS	2,789,723			2,789,723	246,542	0	27,987	274,529
31		OTHER	0			0	0	0		0
		TOTAL TRANS. & DISTRIBUTION	31,331,020	77,154	(4,128,673)	27,278,501	2,338,115	(30,994)	73,510	2,380,631
32	389	GENERAL								
33	390	LAND & LAND RIGHTS	681			681	0	0		0
34	391	STRUCTURES & IMPROVEMENTS	467,707			467,707	43,425	0	996	44,421
35	391.1	OFFICE FURNITURE & EQUIP.	139,320	32,821		171,941	50,343	742	1,732	52,817
36	392	COMPUTER EQUIP.	199,465			199,465	(60,705)	0	1,250	(59,455)
37	393	TRANSPORTATION EQUIP.	251,004			251,004	144,977	0	36,180	181,157
38	394	STORES EQUIP.	4,012			4,012	1,087	0		1,087
39	395	TOOLS, SHOP & GARAGE	57,402			57,402	2,547	0	74	2,621
40	396	LABORATORY	18,183			18,183	3,205	0		3,205
41	397	POWER OPERATED EQUIP.	16,803			16,803	5,979	0		5,979
42	398	COMMUNICATION EQUIP.	80,645	262,231		342,876	46,447	13,479	196	60,122
43		MISCELLANEOUS EQUIP.	38,697			38,697	17,939	0	1,443	19,382
		TOTAL GENERAL	1,273,919	284,852	0	1,568,771	255,244	14,221	41,871	311,336
44		TOTALS	\$53,778,406	\$523,097	(\$3,415,225)	\$50,886,278	\$4,767,118	(\$6,071)	\$520,554	\$5,281,601
45		TOTALS PER COMPANY		559,100	(3,415,225)			0	520,554	
46		ADJUSTMENTS		(\$36,003)				(\$6,071)		\$0

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING INCOME

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-6

LINE NO.	DESCRIPTION	(A) COMPANY ADJUSTED	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED	(D) RUCO PROPOSED IN(DE)CREASE	(E) RUCO PROFORMA
	<b>REVENUES</b>					
1	METERED REVENUES	\$5,846,076	0	5,846,076	(613,371)	5,232,705
2	UNMETERED REVENUE	0	0	0		0
3	OTHER REVENUE	339,961	0	339,961		339,961
4	<b>TOTAL REVENUES</b>	<b>6,186,037</b>	<b>0</b>	<b>6,186,037</b>	<b>(613,371)</b>	<b>5,572,666</b>
	<b>EXPENSES</b>					
5	SALARIES & WAGES	632,324	(262,461)	369,863		369,863
6	PURCHASED WATER	382,700	0	382,700		382,700
7	PURCHASED POWER	601,814	0	601,814		601,814
8	FUEL FOR POWER PRODUCTION			0		
9	CHEMICALS	10,523	0	10,523		10,523
10	MATERIALS & SUPPLIES	0		0		
11	REPAIRS & MAINTENANCE	198,956	0	198,956		198,956
12	OFFICE SUPPLIES & EXPENSE	164,777	(25,859)	138,918		138,918
13	OUTSIDE SERVICES	35,465	0	35,465		35,465
14	SERVICE COMPANY CHRGS.	713,274	(108,935)	604,339		604,339
15	WATER TESTING	8,614	0	8,614		8,614
16	RENTS	25,840	0	25,840		25,840
17	TRANSPORTATION	0	0	0		0
18	INSURANCE - GENERAL LIABILITY	33,390	(10,218)	23,172		23,172
19	INSURANCE - HEALTH & LIFE	0	0	0		0
20	RATE CASE EXPENSE	43,906	(16,392)	27,514		27,514
21	MISCELLANEOUS EXPENSE	188,009	1,266	189,275		189,275
22	DEPRECIATION	1,187,079	17,183	1,204,262		1,204,262
23	TAXES OTHER THAN INCOME	40,435	(12,430)	28,005		28,005
24	PROPERTY TAXES	315,444	(30,608)	284,836		284,836
25	INCOME TAX	387,708	221,408	609,116	(236,762)	372,354
26	<b>TOTAL EXPENSES</b>	<b>4,970,258</b>	<b>(227,046)</b>	<b>4,743,212</b>	<b>(236,762)</b>	<b>4,506,450</b>
27	<b>NET INCOME</b>	<b>1,215,779</b>	<b>227,046</b>	<b>1,442,825</b>	<b>(376,608)</b>	<b>1,066,216</b>

**REFERENCES**

COLUMN (A): COMPANY SCH. C-1  
COLUMN (B): SCH. MDC-7  
COLUMN (C): COLUMN (A) - COLUMN (B)  
COLUMN (D): SCH. MDC-1  
COLUMN (E): COLUMN (C) + COLUMN (D)

LINE NO.	DESCRIPTION	COMPANY ADJUSTED	ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	ADJ #7	ADJ #8	ADJ #9	RUCO ADJUSTED
1	REVENUES											
2	METERED REVENUES	\$5,846,076										5,846,076
3	UNMETERED REVENUE	0										0
4	OTHER REVENUE	339,961										339,961
5	TOTAL REVENUES	6,186,037	0	0	0	0	0	0	0	0	0	6,186,037
6	EXPENSES											
7	SALARIES & WAGES	632,324				(162,487)				(99,974)		369,863
8	PURCHASED WATER	382,700										382,700
9	PURCHASED POWER	601,814										601,814
10	FUEL FOR PRODUCTION	0										0
11	CHEMICALS	10,523										10,523
12	MATERIALS & SUPPLIES	0										0
13	REPAIRS & MAINTENANCE	198,956										198,956
14	OFFICE SUPPLIES & EXPENSE	184,777										184,777
15	OUTSIDE SERVICES	35,465								4,825		35,465
16	SERVICE COMPANY CHRGS.	713,274										713,274
17	WATER TESTING	8,614										8,614
18	RENTS	25,840										25,840
19	TRANSPORTATION	0										0
20	INSURANCE - GENERAL LIABILITY	33,390								(10,218)		23,172
21	INSURANCE - HEALTH & LIFE	0										0
22	RATE CASE EXPENSE	43,906							(16,392)			27,514
23	MISCELLANEOUS EXPENSE	188,009								1,286		189,295
24	DEPRECIATION	1,187,079				(12,430)						1,204,262
25	TAXES OTHER THAN INCOME	40,435										40,435
26	PROPERTY TAXES	315,444										315,444
27	INCOME TAX	387,708										387,708
28	TOTAL EXPENSES	4,970,258	(30,684)	0	(108,935)	(174,918)	17,183	(30,608)	(16,392)	(104,101)	221,408	4,743,212
29	NET INCOME	\$1,215,779	\$30,684	\$0	\$108,935	\$174,918	(\$17,183)	\$30,608	\$16,392	\$104,101	(\$221,408)	\$1,442,825

ADJ NO.	REFERENCE
1	CITIZENS CORPORATE ALLOCATIONS
2	CITIZENS PAYROLL
3	AZ AM SERVICE COMPANY CHARGES
4	AZ AM PAYROLL
5	DEPRECIATION EXPENSE
6	PROPERTY TAXES
7	RATE CASE EXPENSE
8	AZ AM OVERHEAD
10	INCOME TAXES
1	NOT USED
2	TESTIMONY MDC
3	SCH. MDC-9
4	SCH. MDC-10
5	SCH. MDC-11
6	SCH. MDC-12
7	SCH. MDC-13
8	SCH. MDC-14
10	SCH. MDC-15

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #3 - PROJECTED AZ\_AM SERVICE  
COMPANY EXPENSES

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-9

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	ACTUAL 2002 SERVICE CO. EXPENSE	\$4,366,610	CO. PROVIDED DATA
2	ESTIMATED ALLOC. PER FILING	<u>5,153,711</u>	CO. SCH. C-2, PG 4
3	ADJUSTMENT TO SERVICE CO. EXPENSE	(787,101)	LINE 1 - LINE 2
4	AGUA FRIA ALLOCATION FACTOR	<u>13.84%</u>	CO. SCH. C-2, PG 4
5	SERVICE CO. ADJUSTMENT ALLOCATED	<u>(\$108,935)</u>	LINE 3 x LINE 4

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #4 - AZ\_AM PROJECTED SALARIES & WAGES

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-10

LINE NO.	DESCRIPTION	AMOUNT	
1	ACTUAL AZ_AM PAYROLL	\$470,760	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>127,105</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	343,655	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>506,142</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>(\$162,487)</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	343,655	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	26,290	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>1,715</u>	\$245 X 7 EMPLOYEES
10	PAYROLL TAXES	28,005	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>40,435</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>(\$12,430)</u>	LINE 10 x LINE 11

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #5 - DEPRECIATION EXPENSE

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC- 11

LINE NO.	ACCT	DESCRIPTION	RUCO PLANT	DEPREC. RATE	DEPREC. EXPENSE
		<u>INTANGIBLE</u>			
1	301	ORGAN IZATION	\$74,331	0.00%	0
2	302	FRANCHISES	78,010	0.00%	0
3	303	MISC. INTANGIBLE	115,264	0.00%	0
4		TOTAL INTANGIBLE	267,605		0
		<u>SOURCE OF SUPPLY</u>			
5	310	LAND & LAND RIGHTS	215,709	0.00%	0
6	311	STRUCTURES & IMPROVEMENTS	1,242,293	2.50%	31,057
7	312	COLLECTING & IMPOUNDING	0	0.00%	0
8	313	LAKES, RIVER & INTAKES	0	0.00%	0
9	314	WELL & SPRINGS	4,030,582	2.52%	101,571
10		TOTAL SOURCE OF SUPPLY	5,488,584		132,628
		<u>PUMPING</u>			
11	320	LAND & LAND RIGHTS	47,680	0.00%	0
12	321	STRUCTURES & IMPROVEMENTS	1,245,341	1.67%	20,797
13	323	OTHER POWER PRODUCTION	0	0.00%	0
14	325	ELECTRIC PUMPING EQUIP.	14,502,484	4.42%	641,010
15	326	DIESEL PUMPING EQUIP.	25,153	4.42%	1,112
16	328.1	GAS ENGINE PUMPING EQUIP.	676	4.42%	30
17		TOTAL PUMPING	15,821,334		662,949
		<u>WATER TREATMENT</u>			
18	303	LAND & LAND RIGHTS	0	0.00%	0
19	331	STRUCTURE & IMPROVEMENTS	44,300	1.67%	740
20	332	WATER TREATMENT EQUIP.	416,183	4.00%	16,647
21		TOTAL WATER TREATMENT	460,483		0
					17,387
		<u>TRANSMISSION &amp; DISTRIBUTION</u>			
22	340	LAND & LAND RIGHTS	219	0.00%	0
23	341	STRUCTURES & IMPROVEMENTS	0	0.00%	0
24	342	DISTRIBUTION & RESERVIORS	2,851,155	1.67%	47,614
25	434	TRANSMISSION & DISTRIBUTION	17,220,956	1.53%	263,481
26	344	FIRE MAINS	(12,542)	0.00%	0
27	345	SERVICES	2,690,253	2.48%	66,718
28	346	METERS	1,739,738	2.51%	43,667
29	348	HYDRANTS	2,789,723	2.00%	55,794
30	349	OTHER	0	0.00%	0
31		TOTAL TRANS. & DISTRIBUTION	27,279,501		477,275
		<u>GENERAL</u>			
32	389	LAND & LAND RIGHTS	681	0.00%	0
33	390	STRUCTURES & IMPROVEMENTS	467,707	1.68%	7,857
34	391	OFFICE FURNITURE & EQUIP.	171,941	4.55%	7,823
35	391.1	COMPUTER EQUIP.	199,465	4.55%	9,076
36	392	TRANSPORTATION EQUIP.	251,004	25.00%	62,751
37	393	STORES EQUIP.	4,012	3.92%	157
38	394	TOOLS, SHOP & GARAGE	57,402	4.14%	2,376
39	395	LABORATORY	18,183	3.71%	675
40	396	POWER OPERATED EQUIP.	16,803	5.14%	864
41	397	COMMUNICATION EQUIP.	342,876	10.28%	35,248
42	398	MISCELLANEOUS EQUIP.	38,697	4.98%	1,927
43		TOTAL GENERAL	1,568,771		128,754
44		TOTAL	50,886,278		1,401,606
45		CIAC	(1,973,438)	10.00%	(197,344)
46		TOTAL DEPRECIATION & AMORTIZATION			1,204,262
47		PER COMPANY			1,187,079
48		ADJUSTMENT			\$17,183

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #6 - PROPERTY TAXES

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-12

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES -1999	\$6,163,440	COMPANY SCH. E-2
2	REVENUES -2000	5,486,825	COMPANY SCH. E-2
3	REVENUES -2001	<u>4,999,218</u>	COMPANY SCH. E-2
4	TOTAL	16,649,483	SUM LINES 1 - 3
5	THREE YEAR AVERAGE	5,549,828	LINE 4/3 YRS.
6	THREE YEAR AVG. TIMES 2	11,099,655	LINE 5 x 2
7	ADD: 10% OF CWIP BALANCE	189,284	COMPANY SCH. E-1
8	LESS: LICENSED VEHICLES (NET)	<u>106,027</u>	SCH. MDC-5
9	FULL CASH VALUE	11,182,913	LINE 6 + LINE 7 - LINE 8
10	ASSESSMENT RATIO	<u>25%</u>	ADOR
11	ASSESSMENT VALUE	2,795,728	LINE 9 x LINE 10
12	PROPERTY TAX RATE	<u>10.19%</u>	
13	PROFORMA PROPERTY TAXES	284,836	LINE 11 x LINE 12
14	PROPERTY TAXES PER COMPANY	<u>315,444</u>	SCH. MDC-6
15	ADJUSTMENT	<u>(\$30,608)</u>	LINE 13 - LINE 14

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #7 - RATE CASE EXPENSE

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-13

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	RATE CASE EXPENSE - PRIOR CASE	\$366,231	DECISION #60172
2	CPI FACTOR	<u>1.14</u>	WEB SITE: minneapolisfed.org
3	RATE CASE EXPENSE - CURRENT DOLLARS	418,941	LINE 1 x LINE 2
4	RATE CASE EXPENSE - COMPANY REQUESTED	<u>699,952</u>	CO. COST ALLOCATION SPREADSHEET
5	ADJUSTMENT TO RATE CASE EXPENSE	(281,011)	LINE 3 - LINE 4
6	3 YEAR AMORTIZATION	(93,670)	LINE 5/3
7	AGUA FRIA ALLOCATION	<u>0.1750</u>	CO. COST ALLOCATION SPREADSHEET
8	ADJUSTMENT TO RATE CASE EXPENSE	<u>(\$16,392)</u>	LINE 6 x LINE 7

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #8 - PROJECTED AZ\_AM OVERHEADS

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-14

TOTAL COMPANY

LINE NO.	DESCRIPTION	(A) PER COMPANY ESTIMATES	(B) ACTUAL EXPENSES	(C) ADJUSTMENT
1	EMPLOYEE BENEFITS	\$964,147	374,404	(589,743)
2	DIRECTORS FEES:			
3	OFFICE SUPPLIES & EXPENSES	1,270,126	1,030,972	(239,154)
4	MISC. EXPENSES	6,000	8,500	2,500
5	TRUSTEES FEES:			
6	OFFICE SUPPLIES & EXPENSES	645,847	447,842	(198,005)
7	MISC. EXPENSES	17,058	21,881	4,823
8	INSURANCE	258,736	215,200	(43,536)

AGUA FRIA

9	EMPLOYEE BENEFITS	126,182	26,208	(99,974)
10	OFFICE SUPPLIES & EXPENSES	160,596	165,421	4,825
11	MISC. EXPENSES	4,997	6,263	1,266
12	INSURANCE	32,863	22,645	(10,218)
13	TOTAL	324,638	220,537	<span style="border: 1px solid black;">(\$104,101)</span>

<u>ALLOCATION FACTORS</u>	<u>FAIR VALUE RATE BASE</u>	<u>YEAR-END CUST. COUNT</u>	<u>EMPLOYEE COUNT</u>	<u>PROFORMA PLANT</u>
Sun City Water	0.2695	0.1958	0.2400	0.1254
Sun City Wastewater	0.1119	0.1866	0.0400	0.0046
Sun City West Water	0.0908	0.1375	0.0600	0.0135
Sun City West Wastewater	0.0744	0.1314	0.0900	0.0056
Agua Fria	0.1052	0.1147	0.0700	0.2417
Anthem Water	0.0544	0.0284	0.1200	0.2326
Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600	0.2279
Tubac	0.0109	0.0044	0.0100	0.0110
Mohave Water	0.0842	0.1217	0.1500	0.0371
Havasas Water	0.0076	0.0105	0.0300	0.0552
Subtotal	0.8247	0.9534	0.8700	0.9544
Mohave Sewer	0.0037	0.0051	0.0100	0.0089
Paradise Valley	0.1715	0.0414	0.1200	0.0367
TOTAL	1.0000	1.0000	1.0000	1.0000

REFERENCES

COLUMN (A): CO.SCH. C-2, PG.11  
COLUMN (B): CO. PROVIDED SPREADSHEET  
COLUMN (C): COLUMN (A) - COLUMN (B)

ARIZONA AMERICAN - AGUA FRIA WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ#10 - INCOME TAX EXPENSE

DOCKET NO. W-01303-02-0867  
SCHEDULE MDC-15

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES</u>			
1	OPERATING INCOME BEFORE TAXES	\$2,051,941	SCH. MDC-7
	LESS:		
2	ARIZONA STATE TAX	109,960	LINE 11
3	INTEREST EXPENSE	<u>473,874</u>	NOTE (A)
4	FEDERAL TAXABLE INCOME	1,468,107	LINE 1 - LINE 2 & 3
5	FEDERAL TAX RATE	34%	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	<u>499,157</u>	LINE 4 x LINE 5
<u>STATE INCOME TAXES</u>			
7	OPERATING INCOME BEFORE TAXES	2,051,941	LINE 1
	LESS:		
8	INTEREST EXPENSE	473,874	NOTE (A)
9	STATE TAXABLE INCOME	1,578,067	LINE 7 - LINE 8
10	STATE TAX RATE	6.97%	TAX RATE
11	STATE INCOME TAX EXPENSE	109,960	LINE 9 x LINE 10
12	TOTAL INCOME TAX	609,116	LINE 6 + LINE 11
13	TOTAL EXPENSE PER COMPANY	<u>387,708</u>	CO. SCH. C-1
14	ADJUSTMENT	<u>221,408</u>	LINE 12 - LINE 13

NOTES

(A) INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	16,228,561
WGHTED COST OF DEBT	2.92%
INTEREST EXPENSE	<u>473,874</u>

**RATE DESIGN**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
		\$ 8.25		
1	5/8 X 3/4 - Inch	8.25	143,857	1,186,820.25
2	3/4 - Inch	11.90	1,321	15,713.30
3	1 - Inch	20.00	7,152	143,004.24
4	1 1/2 - Inch	43.70	732	31,984.74
5	2 - Inch	65.80	1,596	105,016.80
6	3 - Inch	128.20	625	80,121.88
7	4 - Inch	165.00	-	-
8	6 - Inch	330.00	25	8,250.00
9	8 - Inch	660.00	0	0.07
10	<b>Private Fire Protection</b>			
11	4 - Inch	24.75	132	3,267.00
12	6 - Inch	38.00	276	10,486.62
13	8 - Inch	49.50	84	4,158.00
14	10 - Inch	99.00	0	0.00
15	12 - Inch	148.50	-	-
	Prison	200.00	1	200.00
16	<b>TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE</b>		<u>155,801</u>	<u>\$ 1,589,023</u>
17	<b>NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE</b>			
18	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
	All Meters (Except construction, irrigation, public interruptible)			
19	Tier 1 (0 to 8,000 gallons)	\$ 1.64	419,762,424	\$ 688,410
20	Tier 2 (Above 8,000 gallons)	1.86	1,285,261,576	2,390,587
	Prison	1.92	122,046,000	\$ 234,328
21	Public Interruptible, contract rate	0.90	367,094,000	\$ 330,385
22				
23	Other Revenue			339,961
24	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 5,572,694</u></u>
25	Required Revenue (per Schedule MDC-6)			5,572,666
26	Difference			<u><u>\$ 28</u></u>

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

		(A)	(B)	(C)
LINE NO	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	MONTHLY MINIMUM USAGE CHARGE:			
	Residential Commercial			
1	5/8 X 3/4 - Inch	\$ 10.00	10.76	8.25
2	3/4 - Inch	15.00	16.14	11.90
3	1 - Inch	25.00	26.9	20.00
4	1 1/2 - Inch	53.00	57.02	43.70
5	2 - Inch	80.00	86.07	65.80
6	3 - Inch	155.00	166.76	128.20
7	4 - Inch	200.00	215.17	165.00
8	6 - Inch	400.00	430.34	330.00
9	8 - Inch	800.00	860.67	660.00
10	Private Fire Protection			
11	4 - Inch	30.00	32.28	24.75
12	6 - Inch	45.00	48.41	38.00
13	8 - Inch	60.00	64.55	49.50
14	10 - Inch	120.00	129.1	99.00
15	12 - Inch	180.00	193.65	148.50
16	Prison	200.00	215.17	200.00
17	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
	COMMODITY RATES - ALL METERS (Per 1,000 Gallons):			
18	All Meters (Except construction, irrigation, public interruptible)			
19	Tier 1 (0 to 8,000 gallons)	\$ 1.78	1.91	1.64
20	Tier 2 (Above 8,000 gallons)	2.24	2.41	1.86
21	Prison	2.02	2.17	1.92
22	Public Interruptible, contract rate	1.00	1.00	0.90

ARIZONA AMERICAN - ANTHEM WATER  
DOCKET NO. W-01303-02-0868  
TABLE OF CONTENTS TO SCHEDULES MDC

SCH.  
#

MDC-1	REVENUE REQUIREMENTS
MDC-2	RATE BASE
MDC-3	SUMMARY OF RATE BASE ADJUSTMENTS
MDC-4	RATE BASE ADJ #1 - T/Y PLANT & ACCUMULATED DEPRECIATION
MDC-5	RATE BASE ADJ #2 - PROFORMA PLANT
MDC-6	OPERATING INCOME
MDC-7	SUMMARY OF OPERATING ADJUSTMENTS
MDC-8	NOT USED
MDC-9	OPERATING ADJ #3 - PROJECTED AZ_AM SERVICE CO. EXPENSES
MDC-10	OPERATING ADJ #4 - PROJECTED AZ_AM SALARIES & WAGES
MDC-11	OPERATING ADJ #5 - DEPRECIATION EXPENSE
MDC-12	OPERATING ADJ #6 - PROPERTY TAXES
MDC-13	OPERATING ADJ #7 - RATE CASE EXPENSE
MDC-14	OPERATING ADJ #8 - AZ_AM OVERHEADS
MDC-15	OPERATING ADJ#10 - INCOME TAX EXPENSE
MDC-16	RATE DESIGN

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
REVENUE REQUIREMENTS

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-1  
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO RECOMMENDED
1	RATE BASE	\$9,837,108	10,377,121	20,214,229	8,766,964
2	ADJUSTED OPERATING INCOME	577,577		577,577	836,402
3	CURRENT RATE OF RETURN	5.87%		2.86%	9.54%
4	REQUIRED OPERATING INCOME	762,376		1,566,603	575,990
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.57%
6	OPERATING INCOME DEFICIENCY	184,799		989,026	(260,412)
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287
8	INCREASE IN REVENUE REQUIREMENT	\$300,963		\$1,610,727	(\$424,126)
9	TEST YEAR REVENUE	4,010,805		4,010,805	4,010,805
10	PROPOSED REVENUE	4,311,768		5,621,532	3,586,679
99	PERCENTAGE INCREASE	7.50%		40.16%	-10.57%
12	RETURN ON EQUITY				

REFERENCES

COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	LESS: TAX RATE	<u>0.3860</u>	NOTE (A)
3	SUBTOTAL	0.6140	LINE 1 - LINE 2
4	REVENUE CONVERSION FACTOR	1.6287	LINE 1/LINE 3

NOTE (A)

CALCULATION OF EFFECTIVE TAX RATE =

OPERATING INCOME BEFORE TAXES		100.00%
ARIZONA STATE TAX	-	<u>6.97%</u>
FEDERAL TAXABLE INCOME		93.03%
FEDERAL TAX RATE	x	<u>34.00%</u>
FEDERAL INCOME TAX		31.63%
EFFECTIVE TAX RATE		<u><u>38.60%</u></u>

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO PROFORMA ADJUSTMENTS	(E) RUCO RECOMMENDED
1	PLANT IN SERVICE	\$44,418,748	(2,990,096)	41,428,652	102,441	41,531,093
2	ACCUMULATED DEPRECIATION	2,231,837	(143,917)	2,087,920	503,846	2,591,766
3	NET PLANT	42,186,911	(2,846,179)	39,340,732	(401,405)	38,939,327
4	LESS:					
5	AIAC	31,193,464	(2,099,822)	29,093,642	0	29,093,642
6	CIAC	1,153,043	(77,618)	1,075,425	0	1,075,425
7	AMORTIZATION OF CIAC	3,296	0	3,296	0	3,296
8	METER DEPOSITS		0		0	0
9	ADIT		0		0	0
10	ITC		0		0	0
11	PLUS:					
12	UNAMORTIZED FINANCE CHRGS.		0		0	0
13	DEFERRED TAX ASSETS		0		0	0
14	WORKING CAPITAL		0		0	0
15	ACQUISITION ADJUSTMENT		11,045,860	11,045,860	(11,045,860)	0
16	TOTAL RATE BASE	9,837,108	10,377,121	20,214,229	(11,447,265)	8,766,964

**REFERENCES**  
COLUMN (A): COMPANY SCH. B-1  
COLUMN (B): SCH. MDC-3  
COLUMN (C): COLUMN (A) + COLUMN (B)  
COLUMN (D): SCH. MDC-3  
COLUMN (E): COLUMN (C) + COLUMN (B)

LINE NO.	DESCRIPTION	PER COMPANY ORIG. COST	ADJ #1	ADJ #2	ADJ #3	ADJ #4	RUCO ADJUSTED
1	PLANT IN SERVICE	\$41,428,652	249	102,192			41,531,093
2	ACCUMULATED DEPRECIATION	2,087,920	448,104	55,742			2,591,766
3	NET PLANT	39,340,732	(447,855)	46,450	0	0	38,939,327
4	LESS:						
5	AIAC	29,093,642					29,093,642
6	CIAC	1,075,425					1,075,425
7	AMORTIZATION OF CIAC	0					0
8	METER DEPOSITS	3,296					3,296
9	ADIT	0					0
10	ITC	0					0
11	PLUS:						
12	UNAMORTIZED FINANCE CHRGS.						0
13	DEFERRED TAX ASSETS						0
14	WORKING CAPITAL						0
15	ACQUISITION ADJUSTMENT	11,045,860			(11,045,860)		0
16	TOTAL RATE BASE	\$20,214,229	(\$447,855)	\$46,450	(\$11,045,860)	\$0	\$8,766,964

ADJ NO	REFERENCE
1	SCH. MDC-4
2	SCH. MDC-5
3	TEST MDC
4	NOT USED

LINE NO.	ACCT. NO.	DESCRIPTION	PLANT @12/31/98	1999 PLANT ADDS	1999 RETIREMENTS	1999 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1999 END NET PLANT BALANCE
1	301	INTANGIBLE	\$0			0	0	0
2	302	ORGANIZATION	0	2,031,797		2,031,797	0	2,031,797
3	303	FRANCHISES	0			0	0	0
4	303	MISC INTANGIBLE	0	2,031,797	0	2,031,797	0	2,031,797
		TOTAL INTANGIBLE						
5	310	SOURCE OF SUPPLY						
6	311	LAND & LAND RIGHTS	0	586		586	0	586
7	312	STRUCTURES & IMPROVEMENTS	0	116,420		116,420	1,455	114,965
8	313	COLLECTING & IMPOUNDING	0	435,121		435,121	5,439	429,682
9	314	LAKES, RIVER & INTAKES	0	469,924		469,924	0	469,924
10	314	WELL & SPRINGS	0	519,209		519,209	6,542	512,667
		TOTAL SOURCE OF SUPPLY	0	1,541,260	0	1,541,260	13,436	1,527,824
11	320	PUMPING						
12	321	LAND & LAND RIGHTS	0			0	0	0
13	321	STRUCTURES & IMPROVEMENTS	0	2,371,053		2,371,053	19,798	2,351,255
14	325	OTHER POWER PRODUCTION	0			0	0	0
15	326	ELECTRIC PUMPING EQUIP.	0	10,035,080		10,035,080	221,775	9,813,305
16	326	DIESEL PUMPING EQUIP.	0			0	0	0
17	328.1	GAS ENGINE PUMPING EQUIP.	0			0	0	0
		TOTAL PUMPING	0	12,406,133	0	12,406,133	241,574	12,164,559
18	303	WATER TREATMENT						
19	331	LAND & LAND RIGHTS	0	98,604		98,604	823	97,781
20	332	STRUCTURE & IMPROVEMENTS	0	1,902,351		1,902,351	38,047	1,864,304
21	332	WATER TREATMENT EQUIP.	0	2,000,955	0	2,000,955	38,870	1,962,085
		TOTAL WATER TREATMENT						
22	340	TRANSMISSION & DISTRIBUTION						
23	341	LAND & LAND RIGHTS	0			0	0	0
24	342	STRUCTURES & IMPROVEMENTS	0	21,822		21,822	218	21,604
25	343	DISTRIBUTION & RESERVOIRS	0	3,905,131		3,905,131	32,608	3,872,523
26	344	TRANSMISSION & DISTRIBUTION	0	10,026,360		10,026,360	76,702	9,949,658
27	345	FIRE MAINS	0			0	0	0
28	346	SERVICES	0	284,363		284,363	3,526	280,837
29	347	METERS	0	170,385		170,385	2,138	168,247
30	348	HYDRANTS	0	231,747		231,747	2,317	229,430
31	349	OTHER	0			0	0	0
		TOTAL TRANS. & DISTRIBUTION	0	14,639,808	0	14,639,808	117,510	14,522,298
32	389	GENERAL						
33	390	LAND & LAND RIGHTS	0			0	0	0
34	391	STRUCTURES & IMPROVEMENTS	0	129,803		129,803	1,090	128,713
35	391.1	OFFICE FURNITURE & EQUIP.	0	37,160		37,160	845	36,315
36	392	COMPUTER EQUIP.	0			0	0	0
37	393	TRANSPORTATION EQUIP.	0			0	0	0
38	394	STORES EQUIP.	0			0	0	0
39	395	TOOLS, SHOP & GARAGE	0			0	0	0
40	396	LABORATORY	0	28,517		28,517	529	27,988
41	397	POWER OPERATED EQUIP.	0			0	0	0
42	397	COMMUNICATION EQUIP.	0			0	0	0
43	398	MISCELLANEOUS EQUIP.	0			0	0	0
		TOTAL GENERAL	0	195,480	0	195,480	2,465	193,015
44		TOTAL PLANT	0	32,815,433	0	32,815,433	413,855	32,401,578

LINE NO.	ACCT. NO.	DESCRIPTION	2000 PLANT ADDS	2000 RETIREMENTS	2000 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2000 END NET PLANT BALANCE
<u>INTANGIBLE</u>							
1	301	ORGANIZATION			0	0	0
2	302	FRANCHISES	(37,242)		1,994,555	0	1,994,555
3	303	MISC. INTANGIBLE			0	0	0
4		TOTAL INTANGIBLE	(37,242)	0	1,994,555	0	1,994,555
<u>SOURCE OF SUPPLY</u>							
5	310	LAND & LAND RIGHTS		(86)	500	0	500
6	311	STRUCTURES & IMPROVEMENTS	(17,093)		99,327	4,152	95,175
7	312	COLLECTING & IMPOUNDING	(64,142)		370,979	15,515	355,464
8	313	LAKES, RIVER & INTAKES	(69,273)		400,651	0	400,651
9	314	WELL & SPRINGS		(76,538)	442,671	18,662	424,009
10		TOTAL SOURCE OF SUPPLY	(150,508)	(76,624)	1,314,128	38,329	1,275,799
<u>PUMPING</u>							
11	320	LAND & LAND RIGHTS			0	0	0
12	321	STRUCTURES & IMPROVEMENTS	(349,543)		2,021,510	56,476	1,965,034
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	(1,588,122)		8,446,958	630,228	7,816,730
15	326	DIESEL PUMPING EQUIP.			0	0	0
16	328.1	GAS ENGINE PUMPING EQUIP.			0	0	0
17		TOTAL PUMPING	(1,937,665)	0	10,468,468	686,705	9,781,763
<u>WATER TREATMENT</u>							
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS			98,604	2,470	96,134
20	332	WATER TREATMENT EQUIP.	(280,748)		1,621,603	108,526	1,513,077
21		TOTAL WATER TREATMENT	(280,748)	0	1,720,207	110,996	1,609,211
<u>TRANSMISSION &amp; DISTRIBUTION</u>							
22	340	LAND & LAND RIGHTS			0	0	0
23	341	STRUCTURES & IMPROVEMENTS	(3,217)		18,605	622	17,983
24	342	DISTRIBUTION & RESERVOIRS	(399,433)		3,505,698	94,488	3,411,210
25	434	TRANSMISSION & DISTRIBUTION	(762,717)		9,263,643	224,270	9,039,373
26	344	FIRE MAINS			0	0	0
27	345	SERVICES	208,981		493,344	13,170	480,174
28	346	METERS	53,254		223,639	7,083	216,556
29	348	HYDRANTS	191,637		423,384	8,869	414,515
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	(711,495)	0	13,928,313	348,503	13,579,810
<u>GENERAL</u>							
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS	(19,135)		110,668	3,110	107,558
34	391	OFFICE FURNITURE & EQUIP.	1,913		39,073	2,580	36,493
35	391.1	COMPUTER EQUIP.			0	0	0
36	392	TRANSPORTATION EQUIP.	26,180		26,180	3,273	22,908
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE			0	0	0
39	395	LABORATORY	(4,204)		24,313	1,509	22,804
40	396	POWER OPERATED EQUIP.			0	0	0
41	397	COMMUNICATION EQUIP.			0	0	0
42	398	MISCELLANEOUS EQUIP.	1,993		1,993	50	1,943
43		TOTAL GENERAL	6,747	0	202,227	10,521	191,706
44		TOTAL PLANT	(3,110,911)	(76,624)	29,627,898	1,195,054	28,432,844

LINE NO.	ACCT. NO.	DESCRIPTION	2001 PLANT ADDS	2001 RETIREMENTS	2001 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2001 END NET PLANT BALANCE
		<u>INTANGIBLE</u>					
1	301	ORGANIZATION			0	0	0
2	302	FRANCHISES	1,951,772	(118,850)	3,827,477	0	3,827,477
3	303	MISC. INTANGIBLE			0	0	0
4		TOTAL INTANGIBLE	<u>1,951,772</u>	<u>(118,850)</u>	<u>3,827,477</u>	<u>0</u>	<u>3,827,477</u>
		<u>SOURCE OF SUPPLY</u>					
5	310	LAND & LAND RIGHTS	4,500		5,000	0	5,000
6	311	STRUCTURES & IMPROVEMENTS		(9,145)	90,182	6,521	83,661
7	312	COLLECTING & IMPOUNDING			370,979	24,790	346,189
8	313	LAKES, RIVER & INTAKES		(5,679)	394,972	0	394,972
9	314	WELL & SPRINGS	18,825		461,496	30,054	431,442
10		TOTAL SOURCE OF SUPPLY	<u>23,325</u>	<u>(14,824)</u>	<u>1,322,629</u>	<u>61,365</u>	<u>1,261,264</u>
		<u>PUMPING</u>					
11	320	LAND & LAND RIGHTS	20,000		20,000	0	20,000
12	321	STRUCTURES & IMPROVEMENTS	36,369		2,057,879	90,539	1,967,340
13	323	OTHER POWER PRODUCTION			0	0	0
14	325	ELECTRIC PUMPING EQUIP.	1,157,476		9,604,434	1,029,164	8,575,270
15	326	DIESEL PUMPING EQUIP.			0	0	0
16	328.1	GAS ENGINE PUMPING EQUIP.	1,476		1,476	33	1,443
17		TOTAL PUMPING	<u>1,215,321</u>	<u>0</u>	<u>11,683,789</u>	<u>1,119,736</u>	<u>10,564,053</u>
		<u>WATER TREATMENT</u>					
18	303	LAND & LAND RIGHTS			0	0	0
19	331	STRUCTURE & IMPROVEMENTS	550,487		649,091	8,713	640,378
20	332	WATER TREATMENT EQUIP.	2,734,465		4,356,068	228,080	4,127,988
21		TOTAL WATER TREATMENT	<u>3,284,952</u>	<u>0</u>	<u>5,005,159</u>	<u>236,793</u>	<u>4,768,366</u>
		<u>TRANSMISSION &amp; DISTRIBUTION</u>					
22	340	LAND & LAND RIGHTS			0	0	0
23	341	STRUCTURES & IMPROVEMENTS		(137)	18,468	993	17,475
24	342	DISTRIBUTION & RESERVOIRS		(94,184)	3,411,514	152,247	3,259,267
25	434	TRANSMISSION & DISTRIBUTION	4,559,131		13,822,774	400,881	13,421,893
26	344	FIRE MAINS			0	0	0
27	345	SERVICES	280,102		773,446	28,878	744,568
28	346	METERS	187,618		411,257	15,051	396,206
29	348	HYDRANTS	195,310		618,694	19,290	599,404
30	349	OTHER			0	0	0
31		TOTAL TRANS. & DISTRIBUTION	<u>5,222,161</u>	<u>(94,321)</u>	<u>19,056,153</u>	<u>617,340</u>	<u>18,438,813</u>
		<u>GENERAL</u>					
32	389	LAND & LAND RIGHTS			0	0	0
33	390	STRUCTURES & IMPROVEMENTS			110,668	4,970	105,698
34	391	OFFICE FURNITURE & EQUIP.			39,073	4,358	34,715
35	391.1	COMPUTER EQUIP.			0	0	0
36	392	TRANSPORTATION EQUIP.	83,421		109,601	20,245	89,356
37	393	STORES EQUIP.			0	0	0
38	394	TOOLS, SHOP & GARAGE	4,046		4,046	84	3,962
39	395	LABORATORY			24,313	2,411	21,902
40	396	POWER OPERATED EQUIP.	4,719		4,719	121	4,598
41	397	COMMUNICATION EQUIP.			0	0	0
42	398	MISCELLANEOUS EQUIP.	6,447		8,440	309	8,131
43		TOTAL GENERAL	<u>98,633</u>	<u>0</u>	<u>300,860</u>	<u>32,498</u>	<u>268,362</u>
44		TOTAL PLANT	<u>11,796,164</u>	<u>(227,995)</u>	<u>41,196,067</u>	<u>2,067,731</u>	<u>39,128,336</u>



LINE NO.	ACCT. NO.	DESCRIPTION	RUCO TY PLANT	RUCO PROFORMA PLANT	ORCOM & PLANT AT CLOSING	RUCO RECOMMENDED PLANT	RUCO TY ACC. DEP.	DEPREC. ON PROFORMA PLANT	ACC. DEPREC. AT CLOSING	RUCO RECOMMENDED ACC. DEP.
1	301	INTANGIBLE								
2	302	ORGANIZATION	\$0		30,952	30,952	0	0		0
3	303	FRANCHISES	3,827,477		3,827,477	3,827,477	0	0		0
4		MISC. INTANGIBLE	0		0	0	0	0		0
		TOTAL INTANGIBLE	3,827,477	0	30,952	3,858,429	0	0	0	0
5	310	SOURCE OF SUPPLY								
6	311	LAND & LAND RIGHTS	5,000			5,000	0	0		0
7	312	STRUCTURES & IMPROVEMENTS	90,182			102,127	6,521	149	1,127	7,797
8	313	COLLECTING & IMPOUNDING	370,979	11,945		370,979	24,790	0	3,096	27,886
9	314	LAKE, RIVER & INTAKES	394,972			394,972	0	0	4,935	4,935
		WELL & SPRINGS	461,496			461,496	30,054	149	9,158	30,054
10		TOTAL SOURCE OF SUPPLY	1,322,629	11,945	0	1,334,574	61,365	0	0	70,672
11	320	PUMPING								
12	321	LAND & LAND RIGHTS	20,000			20,000	0	0		0
13	322	STRUCTURES & IMPROVEMENTS	2,057,879			2,057,879	90,539	0	17,176	107,715
14	323	OTHER POWER PRODUCTION	0			0	0	0		0
15	324	ELECTRIC PUMPING EQUIP.	9,604,434			9,604,434	1,029,164	0	212,172	1,241,336
16	325	DIESEL PUMPING EQUIP.	0			0	0	0		0
17	326.1	GAS ENGINE PUMPING EQUIP.	1,476			1,476	33	0	33	86
		TOTAL PUMPING	11,683,789	0	0	11,683,789	1,119,736	0	229,381	1,348,117
18	303	WATER TREATMENT								
19	331	LAND & LAND RIGHTS	0			0	0	0		0
20	332	STRUCTURE & IMPROVEMENTS	649,091			649,091	8,713	0	5,296	14,009
21		WATER TREATMENT NEQUIP.	4,358,068			4,358,068	228,080	0	87,377	315,457
		TOTAL WATER TREATMENT	5,005,159	0	0	5,005,159	236,793	0	92,673	329,466
22	340	TRANSMISSION & DISTRIBUTION								
23	341	LAND & LAND RIGHTS	0			0	0	0		0
24	342	STRUCTURES & IMPROVEMENTS	18,468			18,468	993	0	154	1,147
25	343	DISTRIBUTION & RESERVOIRS	3,411,514			3,411,514	152,247	0	14,840	167,087
26	344	TRANSMISSION & DISTRIBUTION	13,822,774			13,822,774	400,881	0	118,190	519,071
27	345	FIRE MAINS	0			0	0	0	0	0
28	346	SERVICES	773,446			773,446	28,878	0	9,587	38,465
29	347	METERS	411,257			411,257	15,051	0	4,814	19,865
30	348	HYDRANTS	618,694			618,694	19,290	0	6,184	25,474
31		OTHER	0			0	0	0		0
		TOTAL TRANS. & DISTRIBUTION	19,056,153	0	0	19,056,153	617,340	0	153,769	771,109
32	389	GENERAL								
33	390	LAND & LAND RIGHTS	171			171	0	0		0
34	391	STRUCTURES & IMPROVEMENTS	117,574			346,189	10,916	1,920	924	13,760
35	391.1	OFFICE FURNITURE & EQUIP.	35,023			35,023	12,656	0	896	13,552
36	392	COMPUTER EQUIP.	50,142			81,193	(15,260)	706		(14,554)
37	393	TRANSPORTATION EQUIP.	63,068			72,391	36,445	1,162	838	38,445
38	394	STORES EQUIP.	1,008			1,008	273	0		273
39	395	TOOLS, SHOP & GARAGE	14,430			18,218	640	78	31	749
40	396	LABORATORY	4,571			4,571	806	0	451	1,257
41	397	POWER OPERATED EQUIP.	4,224			4,224	1,503	0	36	1,539
42	398	COMMUNICATION EQUIP.	20,273			20,273	11,876	0		11,876
43		MISCELLANEOUS EQUIP.	9,728			9,728	4,509	0	194	4,703
		TOTAL GENERAL	320,242	272,747	0	592,989	64,164	3,867	3,370	71,401
44		TOTALS	41,215,449	284,692	30,952	41,531,093	2,099,398	4,016	488,351	2,591,785
45		TOTALS PER COMPANY		182,500	30,952			0	436,625	
46		ADJUSTMENTS		\$102,192	\$0			\$4,016	\$51,726	

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING INCOME

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-6

LINE NO.	DESCRIPTION	(A) COMPANY ADJUSTED	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED	(D) RUCO PROPOSED INCREASE	(E) RUCO PROFORMA
<b>REVENUES</b>						
1	METERED REVENUES	\$2,060,418	0	2,060,418	(424,126)	1,636,292
2	UNMETERED REVENUE	0	0	0		0
3	OTHER REVENUE	1,950,387	0	1,950,387		1,950,387
4	TOTAL REVENUES	4,010,805	0	4,010,805	(424,126)	3,586,679
<b>EXPENSES</b>						
5	SALARIES & WAGES	585,309	(287,724)	297,585		297,585
6	PURCHASED WATER	211,055	0	211,055		211,055
7	PURCHASED POWER	264,489	0	264,489		264,489
8	CHEMICALS	95,282	0	95,282		95,282
9	REPAIRS & MAINTENANCE	130,909	0	130,909		130,909
10	OFFICE SUPPLIES & EXPENSE	74,576	(9,701)	64,875		64,875
11	OUTSIDE SERVICES	27,139	0	27,139		27,139
12	SERVICE COMPANY CHRGS.	472,080	(72,098)	399,982		399,982
13	WATER TESTING	1,193	0	1,193		1,193
14	RENTS	18,568	0	18,568		18,568
15	TRANSPORTATION	0	0	0		0
16	INSURANCE - GENERAL LIABILITY	17,095	(5,285)	11,810		11,810
17	INSURANCE - HEALTH & LIFE	0	0	0		0
18	RATE CASE EXPENSE	26,471	(10,632)	15,839		15,839
19	MISCELLANEOUS EXPENSE	172,138	1,032	173,170		173,170
20	DEPRECIATION	912,306	(8,702)	903,604		903,604
21	TAXES OTHER THAN INCOME	31,169	(8,901)	22,268		22,268
22	PROPERTY TAXES	225,131	(53,360)	171,771		171,771
23	INCOME TAX	168,318	196,546	364,864	(163,713)	201,150
24	TOTAL EXPENSES	3,433,228	(258,825)	3,174,403		
25	NET INCOME	\$577,577	\$258,825	\$836,402	(\$260,412)	\$3,586,679

**REFERENCES**

COLUMN (A): COMPANY SCH. C-1  
COLUMN (B): SCH. MDC-7  
COLUMN (C): COLUMN (A) - COLUMN (B)  
COLUMN (D): SCH. MDC-1

LINE NO.	DESCRIPTION	COMPANY ADJUSTED	ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	ADJ #7	ADJ #8	ADJ #9	ADJ #10	RUCO ADJUSTED
1	REVENUES												
2	METERED REVENUES	\$2,060,418											2,060,418
3	UNMETERED REVENUE	0											0
3	OTHER REVENUE	1,950,387											1,950,387
4	TOTAL REVENUES	4,010,805	0	0	0	0	0	0	0	0	0	0	4,010,805
5	EXPENSES												
6	SALARIES & WAGES	585,309											585,309
7	PURCHASED WATER	211,055											211,055
8	PURCHASED POWER	264,489											264,489
9	CHEMICALS	95,282											95,282
10	REPAIRS & MAINTENANCE	130,909											130,909
11	OFFICE SUPPLIES & EXPENSE	74,576											74,576
12	OUTSIDE SERVICES	27,138											27,138
13	SERVICE COMPANY CHRGs.	472,080											472,080
14	WATER TESTING	1,193											1,193
15	RENTS	18,568											18,568
16	TRANSPORTATION	0											0
17	INSURANCE - GENERAL LIABILITY	17,095											17,095
18	INSURANCE - HEALTH & LIFE	0											0
19	RATE CASE EXPENSE	26,471											26,471
20	MISCELLANEOUS EXPENSE	172,138											172,138
21	DEPRECIATION	912,386											912,386
22	TAXES OTHER THAN INCOME	31,169											31,169
23	PROPERTY TAXES	225,131											225,131
24	INCOME TAX	168,318											168,318
24	TOTAL EXPENSES	3,433,228	0	0	(72,098)	(125,239)	(8,702)	(53,360)	(10,632)	(185,339)	0	196,546	3,174,403
25	NET INCOME	577,577	0	0	72,098	125,239	8,702	53,360	10,632	185,339	0	(196,546)	836,402

ADJ NO.	REFERENCE
1	SCH. MDC-8
2	CITIZENS CORPORATE ALLOCATIONS
3	CITIZENS PAYROLL
4	AZ. AM SERVICE COMPANY CHARGES
5	AZ. AM PAYROLL
6	DEPRECIATION EXPENSE
7	PROPERTY TAXES
8	RATE CASE EXPENSE
9	AZ. AM OVERHEAD
10	NOT USED
	INCOME TAX EXPENSE

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #3 - PROJECTED AZ\_AM SERVICE CO. EXPENSES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-9

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	ACTUAL 2002 SERVICE CO. EXPENSE	\$4,366,610	CO. PROVIDED DATA
2	ESTIMATED ALLOC. PER FILING	<u>5,153,711</u>	CO. SCH. C-2, PG 4
3	ADJUSTMENT TO SERVICE CO. EXPENSE	(787,101)	LINE 1 - LINE 2
4	ANTHEM WATER ALLOCATION FACTOR	<u>9.16%</u>	CO. SCH. C-2, PG 4
5	SERVICE CO. ADJUSTMENT ALLOCATED	<div style="border: 1px solid black; padding: 2px;">(\$72,098)</div>	LINE 3 x LINE 4

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #4 - PROJECTED AZ\_AM SALARIES & WAGES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-10

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	ACTUAL AZ_AM PAYROLL	\$346,106	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>93,449</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	252,657	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>368,996</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>(\$116,339)</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	252,657	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	19,328	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>2,940</u>	\$245 X 12 EMPLOYEES
10	PAYROLL TAXES	22,268	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>31,169</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>(\$8,901)</u>	LINE 10 x LINE 11

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #5 - DEPRECIATION EXPENSE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-11

LINE NO.	ACCT	DESCRIPTION	RUCO PLANT	DEPREC. RATE	DEPREC. EXPENSE
		<u>INTANGIBLE</u>			
1	301	ORGANIZATION	\$30,952	0.00%	0
2	302	FRANCHISES	3,827,477	0.00%	0
3	303	MISC. INTANGIBLE	0	0.00%	0
4		TOTAL INTANGIBLE	3,858,429		0
		<u>SOURCE OF SUPPLY</u>			
5	310	LAND & LAND RIGHTS	5,000	0.00%	0
6	311	STRUCTURES & IMPROVEMENTS	102,127	2.50%	2,553
7	312	COLLECTING & IMPOUNDING	370,979	2.50%	9,274
8	313	LAKES, RIVER & INTAKES	394,972	0.00%	0
9	314	WELL & SPRINGS	461,496	2.52%	11,630
10		TOTAL SOURCE OF SUPPLY	1,334,574		23,457
		<u>PUMPING</u>			
11	320	LAND & LAND RIGHTS	20,000	0.00%	0
12	321	STRUCTURES & IMPROVEMENTS	2,057,879	1.67%	34,367
13	323	OTHER POWER PRODUCTION	0	4.42%	0
14	325	ELECTRIC PUMPING EQUIP.	9,604,434	4.42%	424,516
15	326	DIESEL PUMPING EQUIP.	0	4.42%	0
16	328.1	GAS ENGINE PUMPING EQUIP.	1,476	4.42%	65
17		TOTAL PUMPING	11,683,789		458,948
		<u>WATER TREATMENT</u>			
18	303	LAND & LAND RIGHTS	0	0.00%	0
19	331	STRUCTURE & IMPROVEMENTS	649,091	1.67%	10,840
20	332	WATER TREATMENT EQUIP.	4,356,068	4.00%	174,243
21		TOTAL WATER TREATMENT	5,005,159		185,083
		<u>TRANSMISSION &amp; DISTRIBUTION</u>			
22	340	LAND & LAND RIGHTS	0	0.00%	0
23	341	STRUCTURES & IMPROVEMENTS	18,468	2.00%	369
24	342	DISTRIBUTION & RESERVOIRS	3,411,514	1.67%	56,972
25	434	TRANSMISSION & DISTRIBUTION	13,822,774	1.53%	211,488
26	344	FIRE MAINS	0	0.00%	0
27	345	SERVICES	773,446	2.48%	19,181
28	346	METERS	411,257	2.51%	10,323
29	348	HYDRANTS	618,694	2.00%	12,374
30	349	OTHER	0	0.00%	0
31		TOTAL TRANS. & DISTRIBUTION	19,056,153		310,708
		<u>GENERAL</u>			
32	389	LAND & LAND RIGHTS	171	0.00%	0
33	390	STRUCTURES & IMPROVEMENTS	346,189	1.68%	5,816
34	391	OFFICE FURNITURE & EQUIP.	35,023	4.55%	1,594
35	391.1	COMPUTER EQUIP.	81,193	4.55%	3,694
36	392	TRANSPORTATION EQUIP.	72,391	25.00%	18,098
37	393	STORES EQUIP.	1,008	3.92%	40
38	394	TOOLS, SHOP & GARAGE	18,218	4.14%	754
39	395	LABORATORY	4,571	3.71%	170
40	396	POWER OPERATED EQUIP.	4,224	5.14%	217
41	397	COMMUNICATION EQUIP.	20,273	10.28%	2,084
42	398	MISCELLANEOUS EQUIP.	9,728	4.98%	484
43		TOTAL GENERAL	592,989		32,951
44		TOTAL	41,531,093		1,011,146
45		CIAC	(1,075,425)	10.00%	(107,543)
46		TOTAL DEPRECIATION & AMORTIZATION			903,604
47		PER COMPANY			912,306
48		ADJUSTMENT			(\$8,702)

REFERENCES

COLUMN (A): SCH. MDC-5  
COLUMN (B): REQUESTED RATES  
COLUMN (C) COLUMN (A) x COLUMN (B)

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #6 - PROPERTY TAXES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-12

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUES -1999	\$3,885,778	COMPANY SCH. E-2
2	REVENUES -2000	3,195,547	COMPANY SCH. E-2
3	REVENUES -2001	<u>1,775,971</u>	COMPANY SCH. E-2
4	TOTAL	8,857,296	SUM LINES 1 - 3
5	THREE YEAR AVERAGE	2,952,432	LINE 4/3 YRS.
6	THREE YEAR AVG. TIMES 2	5,904,864	LINE 5 x 2
7	ADD: 10% OF CWIP BALANCE	274,430	COMPANY SCH. E-1
8	LESS: LICENSED VEHICLES (NET)	<u>26,653</u>	SCH. MDC-5
9	FULL CASH VALUE	6,152,641	LINE 6 + LINE 7 - LINE 8
10	ASSESSMENT RATIO	<u>25%</u>	ADOR
11	ASSESSMENT VALUE	1,538,160	LINE 9 x LINE 10
12	PROPERTY TAX RATE	<u>11.17%</u>	
13	PROFORMA PROPERTY TAXES	171,771	LINE 11 x LINE 12
14	PROPERTY TAXES PER COMPANY	<u>225,131</u>	SCH. MDC-6
15	ADJUSTMENT	<u>(\$53,360)</u>	LINE 13 - LINE 14

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #7 - RATE CASE EXPENSE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	RATE CASE EXPENSE - PRIOR CASE	\$366,231	DECISION #60172
2	CPI FACTOR	<u>1.14</u>	WEB SITE: minneapolisfed.org
3	RATE CASE EXPENSE - CURRENT DOLLARS	418,941	LINE 1 x LINE 2
4	RATE CASE EXPENSE - COMPANY REQUESTED	<u>699,952</u>	CO. COST ALLOCATION SPREADSHE
5	ADJUSTMENT TO RATE CASE EXPENSE	(281,011)	LINE 3 - LINE 4
6	3 YEAR AMORTIZATION	(93,670)	LINE 5/3
7	ANTHEM ALLOCATION	<u>0.1135</u>	CO. COST ALLOCATION SPREADSHE
8	ADJUSTMENT TO RATE CASE EXPENSE	<u>(\$10,632)</u>	LINE 6 x LINE 7

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #8 - AZ\_AM OVERHEADS

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-14

TOTAL COMPANY

LINE NO.	DESCRIPTION	(A) PER COMPANY ESTIMATES	(B) ACTUAL EXPENSES	(C) ADJUSTMENT
1	EMPLOYEE BENEFITS	\$964,147	374,404	(589,743)
2	DIRECTORS FEES:			
3	OFFICE SUPPLIES & EXPENSES	1,270,126	1,030,972	(239,154)
4	MISC. EXPENSES	6,000	8,500	2,500
5	TRUSTEES FEES:			
6	OFFICE SUPPLIES & EXPENSES	645,847	447,842	(198,005)
7	MISC. EXPENSES	17,058	21,881	4,823
8	INSURANCE	258,736	215,200	(43,536)

ANTHEM WATER

9	EMPLOYEE BENEFITS	216,313	44,928	(171,385)
10	OFFICE SUPPLIES & EXPENSES	63,385	53,684	(9,701)
11	MISC. EXPENSES	4,300	5,332	1,032
12	INSURANCE	16,997	11,712	(5,285)
13	TOTAL	300,995	115,656	(185,339)

ALLOCATION FACTORS

	FAIR VALUE RATE BASE	YEAR-END CUST. COUNT	EMPLOYEE COUNT
Sun City Water	0.2695	0.1958	0.2400
Sun City Wastewater	0.1119	0.1866	0.0400
Sun City West Water	0.0908	0.1375	0.0600
Sun City West Wastewater	0.0744	0.1314	0.0900
Agua Fria	0.1052	0.1147	0.0700
Anthem Water	0.0544	0.0284	0.1200
Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600
Tubac	0.0109	0.0044	0.0100
Mohave Water	0.0842	0.1217	0.1500
Havasu Water	0.0076	0.0105	0.0300
Subtotal	0.8247	0.9534	0.8700
Mohave Sewer	0.0037	0.0051	0.0100
Paradise Valley	0.1715	0.0414	0.1200
TOTAL	1.0000	1.0000	1.0000

REFERENCES

COLUMN (A): CO.SCH. C-2, PG.11  
COLUMN (B): CO. PROVIDED SPREADSHEET  
COLUMN (C): COLUMN (A) - COLUMN (B)

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ#10 - INCOME TAX EXPENSE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-15

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES</u>			
1	OPERATING INCOME BEFORE TAXES	\$1,201,266	SCH. MDC-6
LESS:			
2	ARIZONA STATE TAX	65,866	LINE 11
3	INTEREST EXPENSE	<u>255,995</u>	NOTE (A)
4	FEDERAL TAXABLE INCOME	879,404	LINE 1 - LINE 2 & 3
5	FEDERAL TAX RATE	34%	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	<u>298,997</u>	LINE 4 x LINE 5
<u>STATE INCOME TAXES</u>			
7	OPERATING INCOME BEFORE TAXES	1,201,266	LINE 1
LESS:			
8	INTEREST EXPENSE	<u>255,995</u>	NOTE (A)
9	STATE TAXABLE INCOME	945,270	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.97%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	65,866	LINE 9 x LINE 10
12	TOTAL INCOME TAX	364,864	LINE 6 + LINE 11
13	TOTAL EXPENSE PER COMPANY	<u>168,318</u>	CO. SCH. C-1
14	ADJUSTMENT	<u>\$196,546</u>	LINE 12 - LINE 13

NOTES

(A) INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	8,766,964
WGHTED COST OF DEBT	<u>2.92%</u>
INTEREST EXPENSE	255,995

**RATE DESIGN**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
		\$ 12.00		
1	5/8 X 3/4 - Inch	12.00	99	\$ 1,188
2	3/4 - Inch	12.00	19,849	238,188
3	1 - Inch	24.00	15,720	377,280
4	1 1/2 - Inch	48.00	95	4,560
5	2 - Inch	60.00	480	28,800
6	3 - Inch	120.00	72	8,640
7	4 - Inch	150.00	24	3,600
8	6 - Inch	187.50	-	-
9	8 - Inch	1,000.00	-	-
10	<b>Private Fire Protection</b>			
11	3 - Inch	60.00	-	\$ -
12	4 - Inch	72.00	37	\$ 2,664
13	6 - Inch	104.00	144	\$ 14,977
14	8 - Inch	154.00	0	\$ 0
15	10 - Inch	308.00	-	\$ -
16	<b>TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE</b>		<u>36,520</u>	<u>\$ 679,897</u>
17	<b>NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE</b>			
18	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
19	All Gallonage (excluding Wholesale)	1.63	408,198,000	\$ 665,363
20	Wholesale	1.80	35,826,000	64,487
			0	0
			0	0
21	<b>TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES</b>		<u>444,024,000</u>	<u>\$ 729,850</u>
22	Treatco Revenues			226,872
23	Other Revenue			1,950,387
24	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 3,587,005</u></u>
25	Required Revenue (per Schedule MDC-6)			3,586,679
26	Difference			<u>\$ 326</u>

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

		(A)	(B)	(C)
LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	MONTHLY MINIMUM USAGE CHARGE:			
	Residential Commercial			
1	5/8 X 3/4 - Inch	\$ 16.00	18.70	12.00
2	3/4 - Inch	16.00	18.70	12.00
3	1 - Inch	32.00	37.41	24.00
4	1 1/2 - Inch	64.00	74.82	48.00
5	2 - Inch	80.00	93.52	60.00
6	3 - Inch	160.00	187.04	120.00
7	4 - Inch	200.00	233.80	150.00
8	6 - Inch	250.00	292.25	187.50
9	8 - Inch		1,496.00	1,000.00
10	Private Fire Protection			
11	3 - Inch	70.00	81.83	60.00
12	4 - Inch	90.00	105.21	72.00
13	6 - Inch	135.00	157.82	104.00
14	8 - Inch	180.00	210.42	154.00
15	10 - Inch	360.00	420.84	308.00
16	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
	COMMODITY RATES - ALL METERS (Per 1,000 Gallons):			
17	Tier 1	\$ 2.00	2.34	1.63
18	Wholesale	2.16	2.16	1.80

ARIZONA AMERICAN - ANTHEM WASTEWATER  
DOCKET NO. W-01303-02-0868  
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MDC-4	RATE BASE ADJ #1 - T/Y PLANT & ACCUMULATED DEPRECIATION
MDC-5	RATE BASE ADJ #2 - PROFORMA PLANT
MDC-6	OPERATING INCOME
MDC-7	SUMMARY OF OPERATING ADJUSTMENTS
MDC-8	NOT USED
MDC-9	OPERATING ADJ #3 - PROJECTED AZ_AM SERVICE CO. EXPENSES
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ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
REVENUE REQUIREMENTS

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-1  
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL CQSI	(C) PER COMPANY ORIG. CQSI	(D) RUCO RECOMMENDED
1	RATE BASE	\$2,853,742	5,136,214	8,881,868	1,904,897
2	ADJUSTED OPERATING INCOME	(48,855)		(48,855)	75,508
3	CURRENT RATE OF RETURN	-1.71%		-0.55%	3.96%
4	REQUIRED OPERATING INCOME	221,165		688,345	121,342
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.37%
6	OPERATING INCOME DEFICIENCY	270,020		737,200	45,834
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287
8	INCREASE IN REVENUE REQUIREMENT	\$439,755		\$1,200,604	\$74,649
9	TEST YEAR REVENUE	1,866,546		1,866,546	1,866,546
10	PROPOSED REVENUE	2,306,301		3,067,150	1,941,195
11	PERCENTAGE INCREASE	23.56%		64.32%	4.00%
12	RETURN ON EQUITY				

REFERENCES

COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1

ARIZONA AMERICAN - ANTHEM WASTEWATER  
 TEST YEAR ENDING DECEMBER 31, 2002  
 REVENUE CONVERSION FACTOR

DOCKET NO. W-01303-02-0868  
 SCHEDULE MDC-1  
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	LESS: TAX RATE	<u>0.3860</u>	NOTE (A)
3	SUBTOTAL	0.6140	LINE 1 - LINE 2
4	REVENUE CONVERSION FACTOR	1.6287	LINE 1/LINE 3

NOTE (A)

CALCULATION OF EFFECTIVE TAX RATE =

OPERATING INCOME BEFORE TAXES		100.00%
ARIZONA STATE TAX	-	<u>6.97%</u>
FEDERAL TAXABLE INCOME		93.03%
FEDERAL TAX RATE	x	<u>34.00%</u>
FEDERAL INCOME TAX		31.63%
EFFECTIVE TAX RATE		<u><u>38.60%</u></u>

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
RATE BASE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO PROFORMA ADJUSTMENTS	(E) RUCO RECOMMENDED
1	PLANT IN SERVICE	\$24,106,918	(1,053,507)	23,053,411	29	23,053,440
2	ACCUMULATED DEPRECIATION	843,970	(54,749)	789,221	842,028	1,631,249
3	NET PLANT	23,262,948	(998,758)	22,264,190	(841,999)	21,422,191
4	LESS:					
5	AIAC	19,937,010	0	19,045,098	0	19,045,098
6	CIAC	472,196	0	472,196	0	472,196
7	AMORTIZATION OF CIAC		0	0	0	0
8	METER DEPOSITS		0	0	0	0
9	ADIT		0	0	0	0
10	ITC		0	0	0	0
11	PLUS:					
12	UNAMORTIZED FINANCE CHRGS.		0	0	0	0
13	DEFERRED TAX ASSETS		0	0	0	0
14	WORKING CAPITAL		0	0	0	0
15	ACQUISITION ADJUSTMENT		6,134,972	6,134,972	(6,134,972)	0
16	TOTAL RATE BASE	2,853,742	5,136,214	8,881,868	(6,976,971)	1,904,897

REFERENCES

COLUMN (A): COMPANY SCH. B-1  
COLUMN (B): COLUMN (C) - COLUMN (A)  
COLUMN (C): COMPANY SCHEDULE B-1  
COLUMN (D): SCH. MDC-3  
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-3

LINE NO.	DESCRIPTION	PER COMPANY ORIG. COST	ADJ #1	ADJ #2	ADJ #3	ADJ #4	RUCO ADJUSTED
1	PLANT IN SERVICE	\$23,053,411	(2)	31			23,053,440
2	ACCUMULATED DEPRECIATION	789,221	397,604	444,424			1,631,249
3	NET PLANT	22,264,190	(397,606)	(444,393)	0	0	21,422,191
LESS:							
4	AIAC	19,045,098					19,045,098
5	CIAC	472,196					472,196
6	AMORTIZATION OF CIAC	0					0
7	METER DEPOSITS	0					0
8	ADIT	0					0
9	ITC	0					0
PLUS:							
10	UNAMORTIZED FINANCE CHRGS.						0
11	DEFERRED TAX ASSETS						0
12	WORKING CAPITAL						0
13	ACQUISITION ADJUSTMENT	6,134,972			(6,134,972)		0
14	TOTAL RATE BASE	8,881,868	(397,606)	(444,393)	(6,134,972)	0	1,904,897

ADJ NO.	REFERENCE
1	SCH. MDC-4
2	SCH. MDC-5
3	TEST MDC
4	NOT USED

LINE NO.	ACCT. NO.	DESCRIPTION	PLANT @12/31/99	1999 PLANT ADDS	1999 RETIREMENTS	1999 END PLANT BALANCE	ACCUMULATED DEPRECIATION	1999 END NET PLANT BALANCE
1	301	INTANGIBLE	\$0			0	0	0
2	302	ORGANIZATION	0	174,247		174,247	0	174,247
3	303	FRANCHISES	0			0	0	0
4		MISC. INTANGIBLE	0	174,247	0	174,247	0	174,247
		TOTAL INTANGIBLE						
5	310	TREATMENT & DISCHARGE	0			0	0	0
6	311	LAND & LAND RIGHTS	0			0	0	0
7	312	STRUCTURES & IMPROVEMENTS	0			0	0	0
8	313	PRELIMINARY TREATMENT	0			0	0	0
9	314	PRIMARY TREATMENT	0	417,421		417,421	10,436	406,985
10	315	SECONDARY TREATMENT	0	4,515,207		4,515,207	112,880	4,402,327
11	316	TERTIARY TREATMENT	0	39,368		39,368	984	38,384
12	317	DISINFECTION EQUIP	0			0	0	0
13	318	EFFLUENT LIFT STA.	0			0	0	0
14	319	OUTFALL LINE	0	166,989		166,989	4,175	162,814
15	321	SLUDGE TREATMENT	0			0	0	0
16	322	INFLUENT LIFT STA.	0	62,291		62,291	1,557	60,734
17		GENERAL TREATMENT	0	5,201,276		5,201,276	130,032	5,071,244
		TOTAL TREATMENT & DISCHARGE						
18	340	COLLECTION & INFLUENT	0			0	0	0
19	341	LAND & LAND RIGHTS	0			0	0	0
20	342	STRUCTURES & IMPROVEMENTS	0	122,108		122,108	5,129	116,979
21	343	COLLECTION LIFT	0	2,477,355		2,477,355	25,269	2,452,086
22	344	COLLECTION MAINS	0			0	0	0
23	345	FORCE MAINS	0	412,579		412,579	4,208	408,371
24	346	DISCHARGE SERVICES	0	672,859		672,859	6,830	666,029
25	348	MANHOLES	0	3,684,901		3,684,901	41,435	3,643,466
		TOTAL COLLECTION & INFLUENT						
26	389	GENERAL	0			0	0	0
27	390	LAND & LAND RIGHTS	0	729,103		729,103	6,124	722,979
28	391	STRUCTURE & IMPROVEMENTS	0	37,160		37,160	845	36,315
29	391	OFFICE FURNITURE	0			0	0	0
30	392	COMPUTER	0			0	0	0
31	393	TRANSPORTATION	0			0	0	0
32	394	STORES	0			0	0	0
33	395	TOOL SHOP GARAGE	0			0	0	0
34	396	LABORATORY EQUIP.	0	36,271		36,271	673	35,598
35	397	POWER OPERATED	0			0	0	0
36	398	COMMUNICATION EQUIP.	0			0	0	0
37		MISC. EQUIP	0			0	0	0
		TOTAL GENERAL						
		TOTAL PLANT	\$0	\$9,862,958	\$0	\$9,862,958	\$179,110	\$9,683,848

ACCT. NO.	DESCRIPTION	2000 PLANT ADDS	2000 RETIREMENTS	2000 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2000 END NET PLANT BALANCE
	<b>INTANGIBLE</b>					
39	301 ORGANIZATION			0	0	0
40	302 FRANCHISES	\$187,451		361,698	0	361,698
41	303 MISC. INTANGIBLE			0	0	0
42	TOTAL INTANGIBLE	187,451	0	361,698	0	361,698
	<b>TREATMENT &amp; DISCHARGE</b>					
43	310 LAND & LAND RIGHTS			0	0	0
44	311 STRUCTURES & IMPROVEMENTS			0	0	0
45	312 PRELIMINARY TREATMENT			0	0	0
46	313 PRIMARY TREATMENT			0	0	0
47	314 SECONDARY TREATMENT	6,000		423,421	31,457	423,421
48	315 TERTIARY TREATMENT	(662,356)		3,852,851	322,082	3,821,394
49	316 DISINFECTION EQUIP	(5,803)		33,565	2,808	(288,517)
50	317 EFFLUENT LIFT STA.			0	0	(2,808)
51	318 OUTFALL LINE			0	0	0
52	319 SLUDGE TREATMENT	(24,616)		142,373	11,909	130,464
53	321 INFLUENT LIFT STA.			0	0	0
54	322 GENERAL TREATMENT	(9,182)		53,109	4,442	48,667
55	TOTAL TREATMENT & DISCHARGE	(695,957)	0	4,505,319	372,697	4,132,622
	<b>COLLECTION &amp; INFLUENT</b>					
56	340 LAND & LAND RIGHTS			0	0	0
57	341 STRUCTURES & IMPROVEMENTS			0	0	0
58	342 COLLECTION LIFT	(18,000)		104,108	14,630	89,478
59	343 COLLECTION MAINS	731,737		3,209,092	83,271	3,125,821
60	344 FORCE MAINS			0	0	0
61	345 DISCHARGE SERVICES	352,218		764,797	16,218	748,579
62	348 MANHOLES	333,437		1,006,296	23,873	982,423
	TOTAL COLLECTION & INFLUENT	1,399,392	0	5,084,293	137,991	4,946,302
	<b>GENERAL</b>					
63	389 LAND & LAND RIGHTS			0	0	0
64	390 STRUCTURE & IMPROVEMENTS	(101,627)		627,476	17,520	609,956
65	391 OFFICE FURNITURE	(5,478)		31,682	2,412	29,270
66	391 COMPUTER			0	0	0
67	392 TRANSPORTATION			0	0	0
68	393 STORES			0	0	0
69	394 TOOL SHOP GARAGE			0	0	0
70	395 LABORATORY EQUIP.	(2,311)		33,960	1,976	31,984
71	396 POWER OPERATED			0	0	0
72	397 COMMUNICATION EQUIP.			0	0	0
73	398 MISC. EQUIP			0	0	0
74	TOTAL GENERAL	(109,416)	0	693,118	21,907	671,211
75	TOTAL PLANT	\$781,470	\$0	\$10,644,428	\$532,595	\$10,111,833

ACCT. NO.	DESCRIPTION	2001 PLANT ADDS	2001 RETIREMENTS	2001 END PLANT BALANCE	ACCUMULATED DEPRECIATION	2001 END NET PLANT BALANCE
	<u>INTANGIBLE</u>					
76	301 ORGANIZATION			0	0	0
77	302 FRANCHISES	(\$113,022)		248,676	0	248,676
78	303 MISC. INTANGIBLE			0	0	0
79	TOTAL INTANGIBLE	(113,022)	0	248,676	0	248,676
80	<u>TREATMENT &amp; DISCHARGE</u>					
80	310 LAND & LAND RIGHTS	336,560		336,560	0	336,560
81	311 STRUCTURES & IMPROVEMENTS			0	0	0
82	312 PRELIMINARY TREATMENT	800,483		800,483	20,012	780,471
83	313 PRIMARY TREATMENT			0	0	0
84	314 SECONDARY TREATMENT	1,620,486		2,043,907	40,512	2,003,395
85	315 TERTIARY TREATMENT	3,048,851		6,901,702	128,849	6,772,853
86	316 DISINFECTION EQUIP	838,651		872,216	535,690	336,526
87	317 EFFLUENT LIFT STA.	808,883		808,883	24,708	784,175
88	318 OUTFALL LINE			0	0	0
89	319 SLUDGE TREATMENT	1,668,144		1,808,517	41,654	1,766,863
90	321 INFLUENT LIFT STA.			0	19,027	(19,027)
91	322 GENERAL TREATMENT	30,000		83,109	1,260	81,849
92	TOTAL TREATMENT & DISCHARGE	9,150,058	0	13,655,377	811,712	12,843,665
	<u>COLLECTION &amp; INFLUENT</u>					
93	340 LAND & LAND RIGHTS			0	0	0
94	341 STRUCTURES & IMPROVEMENTS			0	0	0
95	342 COLLECTION LIFT	35,941		140,049	300	139,749
96	343 COLLECTION MAINS	2,641,083		5,850,175	134,300	5,715,875
97	344 FORCE MAINS	1,918		1,918	148,756	(146,838)
98	345 DISCHARGE SERVICES	406,139		1,170,936	4,204	1,166,732
99	348 MANHOLES	568,655		1,574,951	37,620	1,537,331
100	TOTAL COLLECTION & INFLUENT	3,653,736	0	8,738,029	325,179	8,412,850
	<u>GENERAL</u>					
101	389 LAND & LAND RIGHTS			0	0	0
102	390 STRUCTURE & IMPROVEMENTS	10,000		637,476	0	637,476
103	391 OFFICE FURNITURE	0		31,682	28,061	3,621
104	391 COMPUTER			0	3,853	(3,853)
105	392 TRANSPORTATION			0	0	0
106	393 STORES			0	0	0
107	394 TOOL SHOP GARAGE			0	0	0
108	395 LABORATORY EQUIP.	2,200		36,160	46	36,114
109	396 POWER OPERATED			0	3,236	(3,236)
110	397 COMMUNICATION EQUIP.			0	0	0
111	398 MISC. EQUIP			0	0	0
112	TOTAL GENERAL	12,200	0	705,318	35,195	670,123
113	TOTAL PLANT	<u>\$12,702,972</u>	<u>\$0</u>	<u>\$23,347,400</u>	<u>\$1,172,087</u>	<u>\$22,175,313</u>

[illegible]

LINE NO.	ACCT. NO.	DESCRIPTION	RUCO TY PLANT	RUCO PROFORMA PLANT	ORCOM & PLANT AFTER CLOSE	RUCO RECOMMENDED PLANT	RUCO TY ACC. DEP	DEPREC. ON PROFORMA PLANT	ACC. DEPREC. AT CLOSING	RUCO RECOMMENDED ACC. DEP
1	301	INTANGIBLE								
2	302	ORGANIZATION	\$0		30,952	30,952	0	0		0
3	303	FRANCHISES	248,676		850	249,526	0	0		0
4		MISC. INTANGIBLE	0		0	0	0	0	0	0
		TOTAL INTANGIBLE	248,676	0	31,802	280,478	0	0	0	0
5	310	TREATMENT & DISCHARGE								
6	311	LAND & LAND RIGHTS	336,560			336,560	0	0	7,721	7,721
7	312	STRUCTURES & IMPROVEMENTS	0			0	0	0		0
8	313	PRELIMINARY TREATMENT	800,483		23,236	823,719	20,012	581	20,585	41,178
9	314	PRIMARY TREATMENT	0			0	0	0		0
10	315	SECONDARY TREATMENT	2,043,907		18,494	2,062,401	40,512	462	51,539	92,514
11	316	TERTIARY TREATMENT	6,901,702	24,475	1,830,094	8,756,271	128,849	48,364	237,558	412,769
12	317	DISINFECTION EQUIP	872,216		19,560	891,776	535,890	489	22,285	558,484
13	318	EFFLUENT LIFT STA.	808,883		4,386	813,269	24,708	184	19,724	44,616
14	319	OUTFALL LINE	0			0	0	0		0
15	320	SLUDGE TREATMENT	1,808,517		(1,808,517)	0	41,854	(45,213)	(19,348)	(22,908)
16	321	INFLUENT LIFT STA.	0			0	19,027	0	2,077	19,027
17	322	GENERAL TREATMENT & DISCHARGE	83,109	24,475	87,253	83,109	1,260	0	342,138	3,337
		TOTAL TREATMENT & DISCHARGE	13,655,377	24,475	87,253	13,767,105	811,712	2,868		1,156,718
18	340	COLLECTION & INFLUENT								
19	341	LAND & LAND RIGHTS	0			0	0	0		0
20	342	STRUCTURES & IMPROVEMENTS	0			0	0	0		0
21	343	COLLECTION LIFT	140,049			140,049	300	0	(19,590)	(19,290)
22	344	COLLECTION MAINS	5,650,175		1,574,950	7,425,125	134,300	18,084	118,021	266,386
23	345	FORCE MAINS	1,918			1,918	148,756	0	20	148,776
24	346	DISCHARGE SERVICES	1,170,936			1,170,936	4,204	0	11,939	16,143
25	348	MANHOLES	1,574,951		(1,574,950)	1	37,620	(15,988)	(14,925)	6,709
		TOTAL COLLECTION & INFLUENT	8,738,029	0	0	8,738,029	325,178	79	83,465	418,723
26	389	GENERAL								
27	390	LAND & LAND RIGHTS	133			133	0	0		0
28	391	STRUCTURE & IMPROVEMENTS	91,498	18,610		110,108	8,495	156	5,321	13,972
29	392	OFFICE FURNITURE	27,255			27,255	9,849	0	727	10,576
30	393	COMPUTER	39,022			39,022	(11,876)	0		(11,876)
31	394	TRANSPORTATION	49,104			49,104	28,382	0		28,382
32	395	STORES	785			785	213	0		213
33	396	TOOL SHOP GARAGE	11,230			11,230	498	0		498
34	397	LABORATORY EQUIP.	3,557			3,557	627	0	(330)	297
35	398	POWER OPERATED	3,287			3,287	1,170	0		1,170
36	399	COMMUNICATION EQUIP.	15,777			15,777	9,088	0		9,088
37		MISC. EQUIP	7,570			7,570	3,509	0		3,509
		TOTAL GENERAL	249,218	18,610	0	267,828	48,933	158	5,718	55,807
38		TOTALS	\$22,891,300	\$43,085	\$119,055	\$23,053,440	\$1,186,825	\$3,103	\$441,321	\$1,631,249
39		TOTALS PER COMPANY		43,054	119,055			0	0	
40		ADJUSTMENT		31	0			\$3,103	\$441,321	

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING INCOME

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-6

LINE NO.	DESCRIPTION	(A) COMPANY ADJUSTED	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED	(D) RUCO PROPOSED INCREASE	(E) RUCO PROFORMA
	<b>REVENUES</b>					
1	METERED REVENUES	\$880,474	0	880,474	74,649	955,123
2	UNMETERED REVENUE	0	0	0		0
3	OTHER REVENUE	986,072	0	986,072		986,072
4	TOTAL REVENUES	1,866,546	0	1,866,546	74,649	1,941,195
	<b>EXPENSES</b>					
5	SALARIES & WAGES	317,956	(134,661)	183,295		183,295
6	PURCHASED WW TREATMENT	19,925	0	19,925		19,925
7	PURCHASED POWER	5,714	0	5,714		5,714
8	FUEL FOR POWER PRODUCTION		0	0		0
9	CHEMICALS		0	0		0
10	MATERIALS & SUPPLIES	(1,053)		(1,053)		
11	REPAIRS & MAINTENANCE	0	0	0		0
12	OFFICE SUPPLIES & EXPENSE	72,565	922	73,487		73,487
13	OUTSIDE SERVICES	26,544	0	26,544		26,544
14	SERVICE COMPANY CHRGs.	287,577	(43,920)	243,657		243,657
15	WATER TESTING	0	0	0		0
16	RENTS	8,308	0	8,308		8,308
17	TRANSPORTATION	0	0	0		0
18	INSURANCE - GENERAL LIABILITY	(3,612)	(1,533)	(5,145)		(5,145)
19	INSURANCE - HEALTH & LIFE	0	0	0		0
20	RATE CASE EXPENSE	12,319	(4,946)	7,373		7,373
21	MISCELLANEOUS EXPENSE	241,357	1,001	242,358		242,358
22	DEPRECIATION	876,022	(16,963)	859,059		859,059
23	TAXES OTHER THAN INCOME	17,520	(4,334)	13,186		13,186
24	PROPERTY TAXES	121,472	(19,643)	101,829		101,829
25	INCOME TAX	(87,213)	99,713	12,500	28,815	41,315
26	TOTAL EXPENSES	1,915,401	(124,363)	1,791,038	28,815	1,820,906
27	NET INCOME	(\$48,855)	\$124,363	\$75,508	\$45,834	\$120,289

**REFERENCES**

COLUMN (A): COMPANY SCH. C-1  
COLUMN (B): SCH. MDC-7  
COLUMN (C): COLUMN (A) - COLUMN (B)  
COLUMN (D): SCH. MDC-1

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-7

LINE NO.	DESCRIPTION	COMPANY ADJUSTED	ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	ADJ #7	ADJ #8	ADJ #9	ADJ #10	RUCO ADJUSTED
1	REVENUES												
2	METERED REVENUES	\$880,474											880,474
3	UNMETERED REVENUE	986,072											986,072
4	OTHER REVENUE		0	0	0	0	0	0	0	0	0	0	1,866,546
	TOTAL REVENUES	1,866,546											
5	EXPENSES					(48,969)				(85,692)			183,295
6	SALARIES & WAGES	317,956											19,925
7	PURCHASED WATER	19,925											5,714
8	PURCHASED POWER	5,714											0
9	FUEL FOR PRODUCTION	0											0
10	CHEMICALS	0											(1,053)
11	MATERIALS & SUPPLIES	(1,053)											0
12	REPAIRS & MAINTENANCE	0											73,487
13	OFFICE SUPPLIES & EXPENSE	72,565											26,544
14	OUTSIDE SERVICES	26,544											243,657
15	SERVICE COMPANY CHRGs.	287,577											0
16	WATER TESTING	0											8,308
17	RENTS	8,308											0
18	TRANSPORTATION	0											(5,145)
19	INSURANCE - GENERAL LIABILITY	(3,612)											0
20	INSURANCE - HEALTH & LIFE	0											7,373
21	RATE CASE EXPENSE	12,319							(4,946)				242,358
22	MISCELLANEOUS EXPENSE	241,357								1,001			859,059
23	DEPRECIATION	876,022											13,186
24	TAXES OTHER THAN INCOME	17,520											101,829
25	PROPERTY TAXES	121,472											12,500
	INCOME TAX	(87,213)						(19,643)				99,713	
26	TOTAL EXPENSES	1,915,401	0	0	(43,920)	(53,303)	(16,963)	(19,643)	(4,946)	(85,302)	0	99,713	1,791,038
27	NET INCOME	(48,855)	0	0	43,920	53,303	16,963	19,643	4,946	85,302	0	(99,713)	75,508

ADJ NO.	REFERENCE
1	SCH. MDC-8
2	CITIZENS CORPORATE ALLOCATIONS
3	CITIZENS PAYROLL
4	AZ AM SERVICE COMPANY CHARGES
5	AZ AM PAYROLL
6	DEPRECIATION EXPENSE
7	PROPERTY TAXES
8	RATE CASE EXPENSE
9	AZ AM OVERHEAD
10	NOT USED
	INCOME TAX EXPENSE
	SCH. MDC-15

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #3 - AZ\_AM SERVICE CO. EXPENSES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-9

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	ACTUAL 2002 SERVICE CO. EXPENSE	\$4,366,610	CO. PROVIDED DATA
2	ESTIMATED ALLOC. PER FILING	<u>5,153,711</u>	CO. SCH. C-2, PG 4
3	ADJUSTMENT TO SERVICE CO. EXPENSE	(787,101)	LINE 1 - LINE 2
4	ANTHEM SEWER ALLOCATION FACTOR	<u>5.58%</u>	CO. SCH. C-2, PG 4
5	SERVICE CO. ADJUSTMENT ALLOCATED	<u>(\$43,920)</u>	LINE 3 x LINE 4

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #4 - AZ\_AM SALARIES & WAGES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-10

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	ACTUAL AZ_AM PAYROLL	\$209,800	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>56,646</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	153,154	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>202,123</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>(48,969)</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	153,154	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	11,716	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>1,470</u>	\$245 X 6 EMPLOYEES
10	PAYROLL TAXES	13,186	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>17,520</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>(4,334)</u>	LINE 10 x LINE 11

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #5 - DEPRECIATION EXPENSE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-11

LINE NO.	ACCT NO.	DESCRIPTION	RUCO PLANT	DEPERC. RATE	DEPREC. EXPENSE
		<u>INTANGIBLE</u>			
1	301	ORGANIZATION	\$30,952	0	0
2	302	FRANCHISES	249,526	0	0
3	303	MISC. INTANGIBLE	0	0	0
4		TOTAL INTANGIBLE	280,478		0
		<u>TREATMENT &amp; DISCHARGE</u>			
5	310	LAND & LAND RIGHTS	336,560	0	0
6	311	STRUCTURES & IMPROVEMENTS	0	0.05	0
7	312	PRELIMINARY TREATMENT	823,719	0.05	41,186
8	313	PRIMARY TREATMENT	0	0.05	0
9	314	SECONDARY TREATMENT	2,062,401	0.05	103,120
10	315	TERTIARY TREATMENT	8,756,271	0.05	437,814
11	316	DISINFECTION EQUIP	891,776	0.05	44,589
12	317	EFFLUENT LIFT STA.	813,269	0.084	68,315
13	318	OUTFALL LINE	0	0.05	0
14	319	SLUDGE TREATMENT	0	0.05	0
15	321	INFLUENT LIFT STA.	0	0.084	0
16	322	GENERAL TREATMENT	83,109	0.05	4,155
17		TOTAL TREATMENT & DISCHARGE	13,767,105		699,178
		<u>COLLECTION &amp; INFLUENT</u>			
18	340	LAND & LAND RIGHTS	0	0	0
19	341	STRUCTURES & IMPROVEMENTS	0	0.0167	0
20	342	COLLECTION LIFT	140,049	0.084	11,764
21	343	COLLECTION MAINS	7,425,125	0.0204	151,473
22	344	FORCE MAINS	1,918	0.0207	40
23	345	DISCHARGE SERVICES	1,170,936	0.0204	23,887
24	348	MANHOLES	1	0.0203	0
25		TOTAL COLLECTION & INFLUENT	8,738,029		187,163
		<u>GENERAL</u>			
26	389	LAND & LAND RIGHTS	133	0	0
27	390	STRUCTURE & IMPROVEMENTS	110,108	0.0168	1,850
28	391	OFFICE FURNITURE	27,255	0.0455	1,240
29	391	COMPUTER	39,022	0.0455	1,776
30	392	TRANSPORTATION	49,104	0.25	12,276
31	393	STORES	785	0.0392	31
32	394	TOOL SHOP GARAGE	11,230	0.0414	465
33	395	LABORATORY EQUIP.	3,557	0.0371	132
34	396	POWER OPERATED	3,287	0.0514	169
35	397	COMMUNICATION EQUIP.	15,777	0.1028	1,622
36	398	MISC. EQUIP	7,570	0.0498	377
37		TOTAL GENERAL	267,828		19,937
38		TOTAL	23,053,440		906,279
39		CIAC	(472,196)	10.00%	(47,220)
40		TOTAL DEPRECIATION & AMORTIZATION			859,059
41		PER COMPANY			876,022
42		ADJUSTMENT			<u>(\$16,963)</u>

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #6 - PROPERTY TAXES

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-12

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES -1999	\$2,417,364	COMPANY SCH. E-2
2	REVENUES -2000	1,868,688	COMPANY SCH. E-2
3	REVENUES -2001	<u>1,154,375</u>	COMPANY SCH. E-2
4	TOTAL	5,440,427	SUM LINES 1 - 3
5	THREE YEAR AVERAGE	1,813,476	LINE 4/3 YRS.
6	THREE YEAR AVG. TIMES 2	3,626,951	LINE 5 x 2
7	ADD: 10% OF CWIP BALANCE	35,238	COMPANY SCH. E-1
8	LESS: LICENSED VEHICLES	<u>20,742</u>	SCH. MDC-5
9	FULL CASH VALUE	3,641,447	LINE 6 + LINE 7 - LINE 8
10	ASSESSMENT RATIO	<u>25%</u>	ADOR
11	ASSESSMENT VALUE	910,362	LINE 9 x LINE 10
12	PROPERTY TAX RATE	<u>11.19%</u>	
13	PROFORMA PROPERTY TAXES	101,829	LINE 11 x LINE 12
14	PROPERTY TAXES PER COMPANY	<u>121,472</u>	SCH. MDC-6
15	ADJUSTMENT	<u>(\$19,643)</u>	LINE 13 - LINE 14

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #7 - RATE CASE EXPENSE

DOCKET NO. W-01303-02-0868  
SCHEDULE MDC-13

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	RATE CASE EXPENSE - PRIOR CASE	\$366,231	DECISION #60172
2	CPI FACTOR	<u>1.14</u>	WEB SITE: minneapolisfed.org
3	RATE CASE EXPENSE - CURRENT DOLLARS	418,941	LINE 1 x LINE 2
4	RATE CASE EXPENSE - COMPANY REQUESTED	<u>699,952</u>	CO. COST ALLOCATION SPREADSHEET
5	ADJUSTMENT TO RATE CASE EXPENSE	(281,011)	LINE 3 - LINE 4
6	3 YEAR AMORTIZATION	(93,670)	LINE 5/3
7	ANTHEM WW ALLOCATION	<u>0.0528</u>	CO. COST ALLOCATION SPREADSHEET
8	ADJUSTMENT TO RATE CASE EXPENSE	<u><u>(\$4,946)</u></u>	LINE 6 x LINE 7

ARIZONA AMERICAN - ANTHEM WASTEWATER  
 TEST YEAR ENDING DECEMBER 31, 2002  
 OPERATING ADJ #8 - AZ\_AM OVERHEADS

DOCKET NO. W-01303-02-0868  
 SCHEDULE MDC-14

TOTAL COMPANY

LINE NO.	DESCRIPTION	(A) PER COMPANY ESTIMATES	(B) ACTUAL EXPENSES	(C) ADJUSTMENT
1	EMPLOYEE BENEFITS	\$964,147	374,404	(589,743)
2	DIRECTORS FEES:			
3	OFFICE SUPPLIES & EXPENSES	1,270,126	1,030,972	(239,154)
4	MISC. EXPENSES	6,000	8,500	2,500
5	TRUSTEES FEES:			
6	OFFICE SUPPLIES & EXPENSES	645,847	447,842	(198,005)
7	MISC. EXPENSES	17,058	21,881	4,823
8	INSURANCE	258,736	215,200	(43,536)

ANTHEM WASTEWATER

9	EMPLOYEE BENEFITS	108,156	22,464	(85,692)
10	OFFICE SUPPLIES & EXPENSES	29,291	30,213	922
11	MISC. EXPENSES	4,175	5,176	1,001
12	INSURANCE	4,931	3,398	(1,533)
13	TOTAL	146,553	61,251	(85,302)

<u>ALLOCATION FACTORS</u>	<u>FAIR VALUE RATE BASE</u>	<u>YEAR-END CUST. COUNT</u>	<u>EMPLOYEE COUNT</u>
Sun City Water	0.2695	0.1958	0.2400
Sun City Wastewater	0.1119	0.1866	0.0400
Sun City West Water	0.0908	0.1375	0.0600
Sun City West Wastewater	0.0744	0.1314	0.0900
Agua Fria	0.1052	0.1147	0.0700
Anthem Water	0.0544	0.0284	0.1200
Agua Fria, Anthem Wastewater	0.0158	0.0224	0.0600
Tubac	0.0109	0.0044	0.0100
Mohave Water	0.0842	0.1217	0.1500
Havasas Water	0.0076	0.0105	0.0300
Subtotal	0.8247	0.9534	0.8700
Mohave Sewer	0.0037	0.0051	0.0100
Paradise Valley	0.1715	0.0414	0.1200
TOTAL	1.0000	1.0000	1.0000

REFERENCES

COLUMN (A): CO.SCH. C-2, PG.11  
 COLUMN (B): CO. PROVIDED SPREADSHEET  
 COLUMN (C): COLUMN (A) - COLUMN (B)

ARIZONA AMERICAN - ANTHEM WASTEWATER  
 TEST YEAR ENDING DECEMBER 31, 2002  
 OPERATING ADJ#10 - INCOME TAX EXPENSE

DOCKET NO. W-01303-02-0868  
 SCHEDULE MDC-15

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
	<u>FEDERAL INCOME TAXES</u>		
1	OPERATING INCOME BEFORE TAXES	\$88,008	SCH. MDC-6
	LESS:		
2	ARIZONA STATE TAX	2,257	LINE 11
3	INTEREST EXPENSE	55,623	NOTE (A)
4	FEDERAL TAXABLE INCOME	30,129	LINE 1 - LINE 2 & 3
5	FEDERAL TAX RATE	34%	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	10,244	LINE 4 x LINE 5
	<u>STATE INCOME TAXES</u>		
7	OPERATING INCOME BEFORE TAXES	88,008	LINE 1
	LESS:		
8	INTEREST EXPENSE	55,623	NOTE (A)
9	STATE TAXABLE INCOME	32,385	LINE 7 - LINE 8
10	STATE TAX RATE	6.97%	TAX RATE
11	STATE INCOME TAX EXPENSE	2,257	LINE 9 x LINE 10
12	TOTAL INCOME TAX	12,500	LINE 6 + LINE 11
13	TOTAL EXPENSE PER COMPANY	(87,213)	CO. SCH. C-1
14	ADJUSTMENT	\$99,713	LINE 12 - LINE 13

NOTES

(A) INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	1,904,897
WGHTED COST OF DEBT	2.92%
INTEREST EXPENSE	55,623

**RATE DESIGN**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
1	Residential Units (SSR)	\$ 18.85	30,156	\$ 568,441
2	Small Commercial 5/8	18.85	48	905
3	Small Commercial 3/4 Inch	28.28	-	-
4	Small Commercial 1 Inch	37.70	-	-
5	Large Commercial	78.00	180	14,040
6				
7				
8	Total Annualized Monthly Minimum Usage Charge			\$ 583,385
9				
10				
11	<b>COMMODITY RATES (Per 1,000 Gallons Up to Maximum)</b>			
12				
13	Treatco	2.77	10,648,000	29,495
14	Commercial & Residential	\$ 2.43	Min. 140,842,073	
15	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES			342,246
16	Other Wastewater Revenue			986,072
17	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 1,941,199</b>
18	Required Revenue (per Schedule MDC-6)			1,941,195
19	difference			\$4

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A)	(B)	(C)
		PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
1	Residential	16.00	24.24	18.85
2	Small Commercial 5/8	16.00	24.24	18.85
3	Small Commercial 3/4 Inch	24.00	36.36	28.28
4	Small Commercial 1 Inch	32.00	48.48	37.70
5	Large Commercial	64.00	96.96	78.00
6				
7				
8	Total Annualized Monthly Minimum Usage Charge			
9				
10				
11	<b>COMMODITY RATES (Per 1,000 Gallons Up to Maximum)</b>			
12				
13	Treatco	2.32	2.32	2.77
14	Commercial & Residential	2.00	3.03	2.43

EXHIBIT

R-8  
Admitted

ARIZONA- AMERICAN WATER COMPANY, INC.

DOCKET NOS. WS-01303A-02-0867

WS-01303A-02-0868

W-01303A-02-0869

WS-01303A-02-0870

W-01303A-02-0908

SURREBUTTAL TESTIMONY

OF

MARYLEE DIAZ CORTEZ

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 31, 2003

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12

13

**INTRODUCTION**

Q. Please state your name for the record.

A. My name is Marylee Diaz Cortez.

Q. Have you previously filed testimony in this docket?

A. Yes. I filed direct testimony on September 5, 2003.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal testimony, I will respond to the positions and arguments set forth by the Arizona-American ("AZ-AM" or "Company") witnesses in their rebuttal testimonies. Excepting the correction of a calculation error, I will reaffirm RUCO's recommendations as set forth in my direct testimony.

Q. What areas will you address in your surrebuttal testimony?

A. I will address the following issues in my surrebuttal testimony:

- \* RCND Rate Base
- \* Post-test Year Plant
- \* AZ-AM Payroll Expense
- \* Rate Case Expense
- \* Tolleson Treatment Agreement

RUCO witnesses Timothy Coley and Rodney Moore will address the remaining rate base and operating income issues in their surrebuttal

1 testimonies. William Rigsby will address the cost of capital issues in his  
2 surrebuttal testimony.

3  
4 **RATE BASE**

5 **RCND Rate Base**

6 Q. Please discuss the Company's rebuttal comments regarding its requested  
7 RCND rate base.

8 A. The Company continues to maintain its position that rates in this docket  
9 should be set based on using a RCND rate base as its fair value rate  
10 base. AZ-AM argues in its rebuttal testimony that Arizona law regarding  
11 fair value supports the Company's use of a RCND rate base in this docket.

12  
13 Q. Do you agree that Arizona law requires a finding of fair value and that the  
14 Commission considers RCND in rendering rate decisions?

15 A. Yes. RUCO has no dispute with the Company regarding that issue. The  
16 difference between the Company's position and RUCO's position on this  
17 issue does not hinge on whether Arizona law permits the rate base  
18 consideration of RCND data, but rather, hinges on how the rate of return is  
19 determined when RCND is considered in determining a fair value rate  
20 base.

1 Q. Didn't you discuss this distinction in your direct testimony?

2 A. Yes. I discuss at length on pages 9 through 13 of my direct testimony the  
3 correct manner in which to determine a utility's revenue requirement when  
4 using an Original Cost Rate Base (OCRB), a RCND Rate Base, or a Fair  
5 Value Rate Base (FVRB). I clearly state at page 10 that the Commission  
6 is "required" to look at RCND data when submitted for consideration by  
7 the utility. Thus, the Company's arguments on this issue are  
8 unnecessary, since RUCO does not dispute the requirement to consider  
9 RCND data as part of a determination of fair value.

10  
11 Q. Assuming the Commission were to consider a RCND rate base for  
12 purposes of computing revenue requirements in this docket, has the  
13 Company made the correct calculation?

14 A. No. When the Commission considers RCND in computing a FVRB to set  
15 revenue requirement, it *does not* apply an original cost rate of return to  
16 either the RCND or FVRB, as was proposed by the Company in this  
17 docket.

18  
19 Q. When the Commission considers an RCND rate base as the basis in  
20 ascertaining a FVRB for determining revenue requirement in this case,  
21 what would be the correct method of determining rate of return?

22 A. The correct methodology would be as follows:

23 Assume:

1           OCRB                   \$3,000,000

2           OCRB ROR                   8%

3           Rev. Req.                   240,000

4           RCND RB                   4,200,000

5           RCND ROR                   5.7%<sup>1</sup>

6           FVRB                   3,600,000<sup>2</sup>

7           FV ROR                   6.67%<sup>3</sup>

8           Rev. Req.                   240,000

9           The error the Company has made in its utilization of an RCND rate base is  
10          to apply the Original Cost Rate of Return to the RCND rate base thereby  
11          deriving a larger revenue requirement. This is incorrect. When the correct  
12          rate of return is applied to the OCRB, RCND rate base, or the Fair Value  
13          rate base *the revenue requirement remains constant*. The reason the  
14          Company has been able to derive a higher revenue requirement from its  
15          proposed RCND rate base is because it has applied an incorrect rate of  
16          return to that base.

17  
18       Q.     Have you attached an exhibit showing how the Commission calculates the  
19              various rates of return utilizing OCRB, RCND, and Fair Value?

20       A.     Yes. Attached as Exhibit MDC-A is an ACC decision that clearly shows  
21              how the Commission calculates the various rates of return given the rate

---

<sup>1</sup> Rev. Req./RCND RB = \$240,000/4,200,000= 5.7%

<sup>2</sup> FVRB = (OCRB + RCND)/2 = (\$3,000,000 + 4,200,000)/2 = 3,600,000

<sup>3</sup> Rev. Req./RCND RB = \$240,000/3,600,000= 6.67%

1 base basis utilized. Note that regardless of whether OCRB, RCND, or  
2 Fair Value forms the basis of the calculation, the revenue requirement  
3 remains constant.  
4

5 Q. Are these various rate of return calculations included in every ACC rate  
6 case decision?

7 Q. Yes, when the utility's application presents all three bases (i.e. OCRB,  
8 RCND, and FV) in its rate request. Quite often small utilities, particularly  
9 water and sewer, do not present RCND or Fair Value information, and  
10 thus the Commission determines that the OCRB is the FVRB, and  
11 therefore does not include a calculation of RCND rate of return.  
12

13 Q. What other arguments does the Company present in defense of its  
14 request for a RCND rate base coupled with an OCRB rate of return?

15 A. The Company argues that its rate base/rate of return request does not  
16 "double count" inflation, as represented in my direct testimony.  
17

18 Q. Why does the Company believe there is no double count?

19 A. The Company argues that the Handy Whitman factors used to translate  
20 original cost into "current" cost bear no relation to the inflation factors  
21 embedded in the cost of capital because the Handy Whitman factors are  
22 historical and the cost of capital inflation factors are forward looking and  
23 represent investor forecasts of the future.

1 Q. Does this argument have merit?

2 A. No. The inflation factors that have been embedded in the rates of return  
3 that a utility has been authorized in prior years are historical. The income  
4 that a utility has earned over the years from its authorized rates of return is  
5 a historical amount that the utility has already recovered in compensation  
6 for inflation. The historical earnings that a utility derives from inflation  
7 factors in its rate of return coupled with a rate base that is restated to  
8 current cost clearly results in a double count.

9  
10 Q. Has the Company presented any new evidence in its rebuttal testimony  
11 that would justify using an RCND rate base with an original cost rate of  
12 return in determining revenue requirements in this docket?

13 A. No. The Company has presented no such evidence to support the  
14 determination of revenue requirements based on a RCND rate base with  
15 an original cost rate of return.

16  
17 **Plant in Service**

18 Q. Have you reviewed the Company's rebuttal comments concerning your  
19 recommended level of plant and accumulated depreciation?

20 A. Yes. The Company's rebuttal testimony has very little discussion of  
21 RUCO's recommended plant and accumulated depreciation. The  
22 Company merely claims RUCO's depreciation expense calculation should

1 have made use of a "half month convention" and that RUCO has not  
2 included any post test year plant in its recommendation.

3  
4 Q. Please address these arguments.

5 A. RUCO's depreciation calculations utilize the half year convention for plant  
6 additions and retirements. The half year convention is typically utilized for  
7 ratemaking purposes and absent any extenuating circumstances (of which  
8 the Company has made no indication) is the accepted methodology to  
9 use.

10  
11 The Company's contention that RUCO has not included post test year  
12 plant in its recommended plant figures is simply untrue. RUCO's rate  
13 base adjustment #2, for each system, includes the actual post test plant  
14 figures in rate base. Thus, the Company's arguments regarding RUCO's  
15 plant and accumulated depreciation balances have no merit.

16  
17 **OPERATING INCOME**

18 **AZ-AM Payroll Expense**

19 Q. Please discuss the Company's rebuttal comments regarding your  
20 recommended level of AZ-AM Payroll Expense.

21 A. The Company agrees with RUCO's position that the AZ-AM payroll  
22 adjustment should be based on the actual AZ-AM recorded payroll  
23 expense for 2002 as opposed to the Company's 2002 estimated payroll

1 expense. The Company, however, does not agree with the amounts  
2 RUCO has reflected in its adjustment. The Company also argues with  
3 RUCO's use of a Company-wide capitalization rate, and believes the  
4 actual amount of payroll expense that was capitalized during 2002 for  
5 each individual system should be utilized in the payroll calculation.  
6

7 Q. Please respond.

8 A. Upon review of the AZ-AM payroll data base that the Company provided  
9 to RUCO, it appears that through the process of sorting the data by  
10 individual system that some of the payroll did not get accounted for.  
11 RUCO subsequently has resorted the data so that all payroll is accounted  
12 for. Surrebuttal Schedule MDC-10, shows the revised AZ-AM payroll  
13 adjustment for the Anthem Water, Anthem Wastewater, and Agua Fria  
14 Water systems.  
15

16 Q. Have you also made revisions to your payroll capitalization factor?

17 A. No. I do not agree that the actual 2002 capitalization factors for each  
18 individual system is appropriate for setting a level on a going forward  
19 basis.  
20

21 Q. Why not?

22 A. The proportion of salaries and wages that are capitalized by an individual  
23 utility system can vary from year to year depending on the capital budget.

1 In some years there may be very little construction, resulting in a low  
2 capitalization factor. In other years, the Company may have a lot of  
3 growth or undertake a large number of improvement projects, resulting in  
4 a higher capitalization factor. Thus, it is desirable when setting rates to  
5 reflect an average capitalization factor in order to capture the year to year  
6 ebb and flow of construction projects.

7  
8 **Rate Case Expense**

9 Q. Please discuss the Company's rebuttal comments regarding your  
10 recommended level of rate case expense.

11 A. The Company argues that my recommended level of rate case expense is  
12 too low.

13  
14 Q. What was the basis of your recommended level of rate case expense?

15 A. I compared the level of rate case expense requested by the Company to  
16 ACC authorized rate case expenses for similarly situated utilities. In an  
17 effort to be conservative, I accepted the highest level of rate case expense  
18 allowed from my group of similarly situated utilities and grossed that  
19 amount up by the Consumer Price Index in order to put that amount in  
20 today's dollars. The result was a recommended level of rate case of  
21 \$418,941 compared with the Company's request for \$706,000.

1 Q. What arguments does the Company present in support of its request?

2 A. The Company presents two principle arguments. First, AZ-AM claims that  
3 there were only six systems involved in the rate case that I used as a base  
4 line for setting rate case expense, whereas in the instant case there are  
5 ten systems. Second, the Company argues that my recommended base  
6 line level of rate case expense at the time it was set translated to a cost of  
7 \$13.25 per customer, whereas the Company proposed level in the instant  
8 case would result in a cost of \$7.39 per customer.

9  
10 Q. Please respond to these arguments.

11 A. The Company's first argument would only have merit if there were a direct  
12 correlation between number of systems and rate case expense, which  
13 there is not. The number of systems may have some incremental impact  
14 on the amount of schedule preparation time or even possibly some other  
15 increment, however rate case expense is driven primarily by the number  
16 of issues in a given case, the number of experts retained, the rates  
17 charged by experts and attorneys, and number of hours the Company is  
18 willing to retain experts and attorneys for.

19  
20 The Company's second argument is flawed for the same reason; the level  
21 of rate case expense incurred is not related to and/or directly dependent  
22 on the number of customers. Number of customers in and of itself will not

1       complicate the issues, not require retention of extra consultants, increase  
2       attorney's rates, nor prolong the hearing.

3  
4   Q.   Are you aware of any other Arizona water or sewer companies that have  
5       been authorized a level of rate case expense that exceeds \$700,000?

6   A.   No. To my knowledge, such an amount is unprecedented. Recently,  
7       Arizona Water conducted a rate case that was comparable to AZ-AM's  
8       current case. Arizona Water initially requested \$257,550<sup>4</sup> in rate case  
9       expense, approximately 40% of what AZ-AM is requesting in this case.

10  
11   Q.   What impact would such a large level of rate case expense have on the  
12       individual AZ-AM water systems?

13   A.   Rate case expense of the magnitude requested by the Company has the  
14       effect of creating the need for a rate increase. According to RUCO's and  
15       Staff's analysis of the AZ-AM water and sewer systems, several of these  
16       systems require a rate *decrease* and in all other instances the required  
17       increase is far less than portrayed by the Company. Thus, allowance of  
18       almost three quarters of a million in rate case expense, in and by itself  
19       could create the need for a rate increase, certainly a counter productive  
20       outcome, and a precedent this Commission should not establish.

21  

---

<sup>4</sup> Arizona Water has since modified its initial request to a level that is still 50% less than AZ-AM's rate case expense request. As yet, a decision has not been issued in the Arizona Water case.

1 Q. Simply because a Company actually incurs a certain level of rate case  
2 expense should that amount, no questions asked, be included in rates?

3 A. No. Like any expense, mere incurrence of a cost does not mean the  
4 expenditure was necessary, prudent, or provided a benefit to ratepayers.  
5 Carte blanche recognition of rate case expenditures in future rates creates  
6 an environment that will reward a company for excessive or imprudent  
7 levels of rate case expense.

8  
9 Q. Can you provide an example of rate case expenditures in this proceeding  
10 that may not have been necessary, prudent, and/or beneficial?

11 A. Yes. In response to a data request<sup>5</sup> the Company provided copies of its  
12 actual rate case invoice billings. In reviewing these rate case charges, I  
13 noted a number of expenditures that were questionable in terms of  
14 necessity, reasonableness, prudence, and benefits.

15  
16 Q. Please discuss these expenditures?

17 A. The Company's accounting consultants billed over \$8,000, subsequent to  
18 filing its rate application. These charges were for time spent correcting the  
19 originally filed bill counts, and thus, were remedial in nature. Certainly,  
20 remedial expenses incurred to meet sufficiency standards should not  
21 reasonably be recovered from ratepayers.

22  

---

<sup>5</sup> Staff data request All 21-6.

1 The Company's accounting consultants billed over \$40,000 for work  
2 related to a "cost of service study". These charges were incurred between  
3 April 2002 (prior to AZ\_AM filing its application) and February 2003  
4 (shortly after the finding of sufficiency). The Company, however, did not  
5 file this study, nor rely on it in any manner to support its application.

6  
7 As of May 2003, the Company had been billed over \$200,000 in legal  
8 fees. These billings were all incurred prior to Staff and Intervenor  
9 testimony, and certainly prior to hearings. These charges are applicable  
10 to two attorneys; one at \$300 an hour and the other at \$260 an hour.  
11 Considering this \$200,000 has accrued prior to any litigated hearings or  
12 briefs, the reasonableness and the prudence of the expenditures is  
13 questionable.

14  
15 **COST OF CAPITAL**

16 Q. In response to the Company's rebuttal testimony, is RUCO proposing any  
17 revision to the cost of capital recommended in its direct testimony?

18 A. Yes. RUCO witness William Rigsby is proposing a minor revision to both  
19 his recommended cost of debt and cost of equity figures. These revisions  
20 are discussed at length in his surrebuttal testimony and result in a revised  
21 cost of capital figure of 6.77%.

1 **OTHER ISSUES**

2 **Tolleson Agreement**

3 Q. Have your reviewed the Company's rebuttal arguments regarding its  
4 recommended recovery of costs yet to be incurred pursuant to a recent  
5 amendment to the Tolleson Wasterwater Treatment agreement?

6 A. Yes. The Company and the City of Tolleson have amended their  
7 wastewater treatment agreement in two respects. First, the amendment  
8 increases the replacement and contingency reserve from a monthly  
9 contribution of \$1,500 to \$20,000 a month, with a new cap on the reserve  
10 of \$200,000. Second, the amendment calls for additional capital  
11 contributions to fund an estimated \$10 million in plant improvements by  
12 2008. The Company claims these new costs are known and measurable,  
13 beyond the control of the Company, significant in magnitude, and  
14 therefore, should be afforded automatic adjustor mechanism recovery.

15  
16 Q. Didn't the ACC issue a recent decision allowing the Company to account  
17 for these future Tolleson expenditures as deferred amounts, eligible for  
18 consideration of future recovery?

19 A. Yes. The Commission issued Decision No. 66387, on October 6, 2003,  
20 granting the Company deferral accounting treatment for these future  
21 costs. Thus, the Company has authority to accrue these costs and  
22 request recovery of these costs once the expenditures have been made

1 and the plant is in service. Thus, there is no need for an adjustor  
2 mechanism, nor would it be appropriate in this instance.

3  
4 Q. Why not?

5 A. The primary reason for an automatic adjustor mechanism is to prevent  
6 under and over recoveries of actual expenses outside of a rate case that  
7 are volatile in nature and widely fluctuate. The mechanism is not intended  
8 to be used to recover the estimated cost of capital expenditures to be  
9 made in the future. Ratemaking principles generally preclude rate  
10 recognition of future, as yet not made, investment. The appropriate  
11 ratemaking treatment for planned future investment is to request rate  
12 recovery through a rate case once the investment has actually been made  
13 and is actually providing service to customers.

14  
15 Q. Please address the Company's argument that, absent an adjustor,  
16 recovery of the Tolleson investment will require another rate case at some  
17 future date.

18 A. It is normally the case that incremental plant investment will require a rate  
19 case to recognize that investment in rates. Further, Company witness  
20 Stephenson testifies in his rebuttal testimony that the Company's next rate  
21 application will be filed at the first possible opportunity<sup>6</sup>. Since it is the

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<sup>6</sup> See the Rebuttal Testimony of David Stephenson at page 15, lines 1 through 6.

1 Company's intention to file a rate case prior to January 2006<sup>7</sup> anyway,  
2 there is absolutely no reason to create mechanisms in this case to insure  
3 recovery of costs as far out as 2008. In some instances, the ACC has  
4 recognized post-test year plant additions, however, in such instances the  
5 expenditures have actually been made, the plant actually is in service and  
6 generally within 12 months following the end of test year. In this case, the  
7 plant expenditures have not been made, the plant is not in service, and  
8 completion is estimated to be as far out as 2008.

9  
10 **Surrebuttal Revisions**

11 Q. Have you prepared a schedule showing your revised revenue requirement  
12 recommendations?

13 A. Yes. I have prepared a revised Schedule MDC-1 for Anthem Water,  
14 Anthem Wastewater, and Agua Fria Water showing my surrebuttal  
15 recommendations. The only difference in my direct position for these  
16 systems and my surrebuttal position is a revision as a result of the  
17 previously discussed payroll database glitch and Mr. Rigsby's revision to  
18 his recommended cost of capital. Neither revision has a material impact  
19 on RUCO's revenue requirement recommendations. I have also prepared  
20 a revised Schedule MDC-16 showing my recommended rate design based  
21 on the revised revenue requirements.

22  

---

<sup>7</sup> See the Rebuttal Testimony of David Stephenson at page 15, lines 1 through 6.

1 Q. Does this conclude your surrebuttal testimony?

2 A. Yes.

3

4

5

6

7

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
REVENUE REQUIREMENTS

DOCKET NO. W-01303-02-0868  
SUREBUTTAL SCHEDULE MDC-1  
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO RECOMMENDED	(E) RUCO SUREBUTTAL ADJUSTMENTS	(F) RUCO SUREBUTTAL RECOMMENDED
1	RATE BASE	\$9,837,108	10,377,121	20,214,229	8,766,964	0	8,766,964
2	ADJUSTED OPERATING INCOME	577,577		577,577	836,402	(55,575)	780,827
3	CURRENT RATE OF RETURN	5.87%		2.86%	9.54%	-0.63%	8.91%
4	REQUIRED OPERATING INCOME	762,376		1,566,803	575,990	17,534	593,523
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.57%	0.20%	6.77%
6	OPERATING INCOME DEFICIENCY	184,799		989,026	(260,412)	73,109	(187,304)
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287	1.6287	1.6287
8	INCREASE IN REVENUE REQUIREMENT	<u>\$300,963</u>		<u>\$1,610,727</u>	<u>(\$424,126)</u>	<u>\$119,070</u>	<u>(\$305,056)</u>
9	TEST YEAR REVENUE	4,010,805		4,010,805	4,010,805	0	4,010,805
10	PROPOSED REVENUE	4,311,768		5,621,532	3,586,679	119,070	3,705,749
99	PERCENTAGE INCREASE	7.50%		40.16%	-10.57%		-7.61%
12	RETURN ON EQUITY						

REFERENCES

COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1  
COLUMN (E): MDC SUREBUTTAL TEST, SUREBUTTAL SCH. MDC-10  
COLUMN (F): COLUMN (D) + COLUMN (E)

ARIZONA AMERICAN - ANTHEM WATER  
TEST YEAR ENDING DECEMBER 31, 2001  
OPERATING ADJ #4 - PROJECTED AZ\_AM SALARIES & WAGES

DOCKET NO. W-01303-02-0868  
SURREBUTTAL SCHEDULE MDC-10

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	ACTUAL AZ_AM PAYROLL	\$460,581	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>124,357</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	336,224	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>368,996</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>(\$32,772)</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	336,224	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	25,721	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>2,940</u>	\$245 X 12 EMPLOYEES
10	PAYROLL TAXES	28,661	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>31,169</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>(\$2,508)</u>	LINE 10 x LINE 11
	<u>INCREMENTAL SURREBUTTAL ADJUSTMENT</u>		
	<u>PAYROLL</u>		
13	RUCO DIRECT ADJUSTMENT	(116,339)	
14	RUCO SURREBUTTAL ADJUSTMENT	<u>(32,772)</u>	
15	RUCO INCREMENTAL ADJUSTMENT	<u>\$83,567</u>	
	<u>PAYROLL TAXES</u>		
16	RUCO DIRECT ADJUSTMENT	(8,901)	
17	RUCO SURREBUTTAL ADJUSTMENT	<u>(2,508)</u>	
18	RUCO INCREMENTAL ADJUSTMENT	<u>\$6,393</u>	

**RATE DESIGN**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
		\$ 12.95		
1	5/8 X 3/4 - Inch	12.95	99	\$ 1,282
2	3/4 - Inch	12.95	19,849	257,045
3	1 - Inch	26.00	15,720	408,720
4	1 1/2 - Inch	52.00	95	4,940
5	2 - Inch	65.00	480	31,200
6	3 - Inch	132.00	72	9,504
7	4 - Inch	164.00	24	3,936
8	6 - Inch	204.00	-	-
9	8 - Inch	1,000.00	-	-
10	Private Fire Protection			
11	3 - Inch	60.00	-	\$ -
12	4 - Inch	74.00	37	\$ 2,738
13	6 - Inch	106.00	144	\$ 15,265
14	8 - Inch	154.00	0	\$ 0
15	10 - Inch	308.00	-	\$ -
16	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>36,520</u>	<u>\$ 734,629</u>
17	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
18	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
19	All Gallonage (excluding Wholesale)	1.78	408,198,000	\$ 726,592
20	Wholesale	1.88	35,826,000	67,353
			0	0
			0	0
21	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>444,024,000</u>	<u>\$ 793,945</u>
22	Treatco Revenues			226,872
23	Other Revenue			1,950,387
24	TOTAL PROPOSED ANNUALIZED REVENUE			<u><u>\$ 3,705,834</u></u>
25	Required Revenue (per Schedule MDC-6)			3,705,749
26	Difference			<u>\$ 85</u>

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

		(A)	(B)	(C)
LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	MONTHLY MINIMUM USAGE CHARGE:			
	Residential Commercial			
1	5/8 X 3/4 - Inch	\$ 16.00	18.70	12.95
2	3/4 - Inch	16.00	18.70	12.95
3	1 - Inch	32.00	37.41	26.00
4	1 1/2 - Inch	64.00	74.82	52.00
5	2 - Inch	80.00	93.52	65.00
6	3 - Inch	160.00	187.04	132.00
7	4 - Inch	200.00	233.80	164.00
8	6 - Inch	250.00	292.25	204.00
9	8 - Inch		1,496.00	1,000.00
10	Private Fire Protection			
11	3 - Inch	70.00	81.83	60.00
12	4 - Inch	90.00	105.21	74.00
13	6 - Inch	135.00	157.82	106.00
14	8 - Inch	180.00	210.42	154.00
15	10 - Inch	360.00	420.84	308.00
16	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
	COMMODITY RATES - ALL METERS (Per 1,000 Gallons):			
17	Tier 1	\$ 2.00	2.34	1.78
18	Wholesale	2.16	2.16	1.88

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
REVENUE REQUIREMENTS

DOCKET NO. W-01303-02-0868  
SURREBUTTAL SCHEDULE MDC-1  
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO RECOMMENDED	(E) RUCO SURREBUTTAL ADJUSTMENTS	(F) RUCO SURREBUTTAL RECOMMENDED
1	RATE BASE	\$2,853,742	5,136,214	8,881,868	1,904,897	0	1,904,897
2	ADJUSTED OPERATING INCOME	(48,855)		(48,855)	75,508	(44,250)	31,258
3	CURRENT RATE OF RETURN	-1.71%		-0.55%	3.96%	-2.32%	1.64%
4	REQUIRED OPERATING INCOME	221,165		688,345	121,342	7,620	128,962
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.37%	0.40%	6.77%
6	OPERATING INCOME DEFICIENCY	270,020		737,200	45,834	51,870	97,704
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287	1.6287	1.6287
8	INCREASE IN REVENUE REQUIREMENT	<u>\$439,755</u>		<u>\$1,200,604</u>	<u>\$74,648</u>	<u>\$84,479</u>	<u>\$159,127</u>
9	TEST YEAR REVENUE	1,866,546		1,866,546	1,866,546	0	1,866,546
10	PROPOSED REVENUE	2,306,301		3,067,150	1,941,194	84,479	2,025,673
11	PERCENTAGE INCREASE	23.56%		64.32%	4.00%		8.53%
12	RETURN ON EQUITY						

REFERENCES

COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1  
COLUMN (E): MDC SUREBUTTAL TEST, SUREBUTTAL SCH. MDC-10  
COLUMN (F): COLUMN (D) + COLUMN (E)

ARIZONA AMERICAN - ANTHEM WASTEWATER  
TEST YEAR ENDING DECEMBER 31, 2002  
OPERATING ADJ #4 - AZ\_AM SALARIES & WAGES

DOCKET NO. W-01303-02-0868  
SURREBUTTAL SCHEDULE MDC-10

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	ACTUAL AZ_AM PAYROLL	\$301,354	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>81,366</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	219,988	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>202,123</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>17,865</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	219,988	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	16,829	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>1,470</u>	\$245 X 6 EMPLOYEES
10	PAYROLL TAXES	18,299	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>17,520</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>779</u>	LINE 10 x LINE 11
<u>INCREMENTAL SURREBUTTAL ADJUSTMENT</u>			
<u>PAYROLL</u>			
13	RUCO DIRECT ADJUSTMENT	(48,969)	
14	RUCO SURREBUTTAL ADJUSTMENT	<u>17,865</u>	
15	RUCO INCREMENTAL ADJUSTMENT	<u>\$66,834</u>	
<u>PAYROLL TAXES</u>			
16	RUCO DIRECT ADJUSTMENT	(4,334)	
17	RUCO SURREBUTTAL ADJUSTMENT	<u>779</u>	
18	RUCO INCREMENTAL ADJUSTMENT	<u>\$5,113</u>	

RATE DESIGN

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
1	Residential Units (SSR)	\$ 21.25	30,156	\$ 640,815
2	Small Commercial 5/8	21.25	48	1,020
3	Small Commercial 3/4 Inch	31.88	-	-
4	Small Commercial 1 Inch	42.50	-	-
5	Large Commercial	85.20	180	15,336
6				
7				
8	Total Annualized Monthly Minimum Usage Charge			\$ 657,171
9				
10				
11	<b>COMMODITY RATES (Per 1,000 Gallons Up to Maximum)</b>			
12				
13	Treatco	2.85	10,648,000	30,347
14	Commercial & Residential	\$ 2.50	Min. 140,842,073	
15	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES			352,105
16	Other Wastewater Revenue			986,072
17	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 2,025,695</b>
18	Required Revenue (per Schedule MDC-6)			2,025,673
19	difference			\$22

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A)	(B)	(C)
		PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
1	Residential	16.00	24.24	21.25
2	Small Commercial 5/8	16.00	24.24	21.25
3	Small Commercial 3/4 Inch	24.00	36.36	31.88
4	Small Commercial 1 Inch	32.00	48.48	42.50
5	Large Commercial	64.00	96.96	85.20
6				
7				
8	Total Annualized Monthly Minimum Usage Charge			
9				
10				
11	<b>COMMODITY RATES (Per 1,000 Gallons Up to Maximum)</b>			
12				
13	Treatco	2.32	2.32	2.85
14	Commercial & Residential	2.00	3.03	2.50

LINE NO.	DESCRIPTION	(A) PER COMPANY RCND	(B) ADJUSTMENTS TO RESTATE TO ORIGINAL COST	(C) PER COMPANY ORIG. COST	(D) RUCO RECOMMENDED	(E) RUCO SUREBUTTAL ADJUSTMENTS	(F) RUCO SUREBUTTAL RECOMMENDED
1	RATE BASE	\$19,019,624	10,836,161	29,855,785	16,228,561	0	16,228,561
2	ADJUSTED OPERATING INCOME	1,215,779		1,215,779	1,442,825	(196,110)	1,246,715
3	CURRENT RATE OF RETURN	6.39%		4.07%	8.89%	-1.21%	7.68%
4	REQUIRED OPERATING INCOME	1,474,021		2,313,823	1,066,216	32,457	1,098,674
5	REQUIRED RATE OF RETURN	7.75%		7.75%	6.57%	0.20%	6.77%
6	OPERATING INCOME DE(SUF)FICIENCY	258,242		1,098,044	(376,609)	228,567	(148,042)
7	REVENUE CONVERSION FACTOR	1.6286		1.6286	1.6287	1.6287	1.6287
8	INCREASE IN REVENUE REQUIREMENT	<u>\$420,573</u>		<u>\$1,788,275</u>	<u>(\$613,371)</u>	<u>\$372,260</u>	<u>(\$241,111)</u>
9	TEST YEAR REVENUE	6,186,037		6,186,037	6,186,037	0	6,186,037
10	PROPOSED REVENUE	6,606,610		7,974,312	5,572,666	372,260	5,944,926
11	PERCENTAGE INCREASE	6.80%		28.91%	-9.92%		-3.90%
12	RETURN ON EQUITY						

REFERENCES  
COLUMN (A): COMPANY SCH. A-1  
COLUMN (B): COMPANY SCH. B-1  
COLUMN (C): COMPANY SCH. B-1  
COLUMN (D): SCH. MDC-2, MDC-6 & WAR-1  
COLUMN (E): MDC SUREBUTTAL TEST, SUREBUTTAL SCH. MDC-10  
COLUMN (F): COLUMN (D) + COLUMN (E)

ARIZONA AMERICAN - AGUA FRIA WATER  
 TEST YEAR ENDING DECEMBER 31, 2001  
 OPERATING ADJ #4 - AZ\_AM PROJECTED SALARIES & WAGES

DOCKET NO. W-01303-02-0867  
 SURREBUTTAL SCHEDULE MDC-10

LINE NO.	DESCRIPTION	AMOUNT	
1	ACTUAL AZ_AM PAYROLL	\$875,892	COMPANY SPREADSHEET
2	LESS: CAPITALIZED PAYROLL	<u>236,491</u>	LINE 1 x 27%
3	ACTUAL PAYROLL EXPENSE	639,401	LINE 1 - LINE 2
4	ESTIMATED PAYROLL PER AZ-AM	<u>506,142</u>	CO. SCH. C-2 PG. 5
5	PAYROLL ADJUSTMENT	<u>\$133,259</u>	LINE 3 - LINE 4
6	ACTUAL PAYROLL EXPENSE	639,401	LINE 3
7	PAYROLL TAX FACTOR	<u>7.65%</u>	FICA RATE
8	SUBTOTAL	48,914	LINE 6 x LINE 7
9	FUTA & SUTA TAX	<u>1,715</u>	\$245 X 7 EMPLOYEES
10	PAYROLL TAXES	50,629	LINE 8 + LINE 9
11	ESTIMATED PER COMPANY	<u>40,435</u>	CO. SCH. C-2 PG. 5
12	PAYROLL TAX ADJUSTMENT	<u>\$10,194</u>	LINE 10 x LINE 11
<u>INCREMENTAL SURREBUTTAL ADJUSTMENT</u>			
<u>PAYROLL</u>			
13	RUCO DIRECT ADJUSTMENT	(162,487)	
14	RUCO SURREBUTTAL ADJUSTMENT	<u>133,259</u>	
15	RUCO INCREMENTAL ADJUSTMENT	<u>\$295,746</u>	
<u>PAYROLL TAXES</u>			
16	RUCO DIRECT ADJUSTMENT	(12,430)	
17	RUCO SURREBUTTAL ADJUSTMENT	<u>10,194</u>	
18	RUCO INCREMENTAL ADJUSTMENT	<u>\$22,624</u>	

**RATE DESIGN**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED CUST. & GAL. COUNT	(C) RUCO PROPOSED REVENUE
	<b>MONTHLY MINIMUM USAGE CHARGE:</b>			
		\$ 9.30		
1	5/8 X 3/4 - Inch	9.30	143,857	1,337,870.10
2	3/4 - Inch	14.00	1,321	18,494.00
3	1 - Inch	23.50	7,152	168,072.00
4	1 1/2 - Inch	50.00	732	36,600.00
5	2 - Inch	76.10	1,596	121,455.60
6	3 - Inch	144.80	625	90,500.00
7	4 - Inch	186.00	-	-
8	6 - Inch	372.40	25	9,310.00
9	8 - Inch	744.00	0	0.07
10	<b>Private Fire Protection</b>			
11	4 - Inch	27.90	132	3,682.80
12	6 - Inch	42.72	276	11,790.72
13	8 - Inch	55.80	84	4,687.20
14	10 - Inch	111.60	0	0.00
15	12 - Inch	167.40	-	-
	Prison	200.00	1	200.00
16	<b>TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE</b>		<u>155,801</u>	<u>\$ 1,802,662</u>
17	<b>NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE</b>			
18	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
	All Meters (Except construction, irrigation, public interruptible)			
19	Tier 1 (0 to 8,000 gallons)	\$ 1.70	419,762,424	\$ 713,596
20	Tier 2 (Above 8,000 gallons)	1.96	1,285,261,576	2,519,113
	Prison	1.96	122,046,000	\$ 239,210
21	Public Interruptible, contract rate	0.90	367,094,000	\$ 330,385
22				
23	Other Revenue			339,961
24	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u>\$ 5,944,927</u>
25	Required Revenue (per Schedule MDC-6)			5,944,926
26	Difference			<u>\$ 1</u>

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

		(A)	(B)	(C)
LINE NO	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
	MONTHLY MINIMUM USAGE CHARGE:			
	Residential Commercial			
1	5/8 X 3/4 - Inch	\$ 10.00	10.76	9.30
2	3/4 - Inch	15.00	16.14	14.00
3	1 - Inch	25.00	26.9	23.50
4	1 1/2 - Inch	53.00	57.02	50.00
5	2 - Inch	80.00	86.07	76.10
6	3 - Inch	155.00	166.76	144.80
7	4 - Inch	200.00	215.17	186.00
8	6 - Inch	400.00	430.34	372.40
9	8 - Inch	800.00	860.67	744.00
10	Private Fire Protection			
11	4 - Inch	30.00	32.28	27.90
12	6 - Inch	45.00	48.41	42.72
13	8 - Inch	60.00	64.55	55.80
14	10 - Inch	120.00	129.1	111.60
15	12 - Inch	180.00	193.65	167.40
16	Prison	200.00	215.17	200.00
17	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
	COMMODITY RATES - ALL METERS (Per 1,000 Gallons):			
18	All Meters (Except construction, irrigation, public interruptible)			
19	Tier 1 (0 to 8,000 gallons)	\$ 1.78	1.91	1.70
20	Tier 2 (Above 8,000 gallons)	2.24	2.41	1.96
21	Prison	2.02	2.17	1.96
22	Public Interruptible, contract rate	1.00	1.00	0.90

**EXHIBIT**

Arizona-American Water Company  
Docket No. W-01303A-02-0869  
Test Year Ended December 31, 2001

Havasu Water District  
Revised Surrebuttal Schedule TJC-16  
Page 1 of 2

**RATE DESIGN - PROOF OF REVENUE CONTD**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 10.10	13,608	\$ 137,441
2	1 Inch Residential	17.15	-	0
3	1.5 Inch Residential	24.85	-	-
4	2 Inch Residential	33.75	-	-
5	3 Inch Residential	45.75	0	0
6	4 Inch Residential	58.00	-	-
7	6 Inch Residential	202.00	0	0
8				
9	5/8 Inch Commercial	10.10	420	4,242
10	1 Inch Commercial	17.15	60	1,029
11	2 Inch Commercial	33.75	24	810
12	3 Inch Commercial	45.75	36	1,647
13	4 Inch Commercial	58.00	12	696
14	6 Inch Commercial	202.00	0	
15				
16	Multi-Family - All Meter Sizes	10.10	9,228	93,203
17				
18	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		<u>23,388</u>	<u>\$ 239,067</u>
19				
20	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
21				
22	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
23				
24	Havasu	\$ 1.35	160,957	\$ 217,292
25				
26	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		<u>160,957</u>	<u>\$ 217,292</u>
27				
28				
29	Miscellaneous Revenue			10,532
30				
31	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<u><u>\$ 466,891</u></u>
32				
33	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			\$ 466,892
34	Difference			\$ (0)

## References:

Column (A): TJC-16, Page 2 - Recommended/Proposed Rates

Column (B): Response To RUCO Data Request No. 1.04

Column (C): Columns (A) X (B)

**RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES**

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1	5/8 Inch Residential	\$ 10.00	\$ 14.61	\$ 10.10
2	1 Inch Residential	17.10	24.98	17.15
3	1.5 Inch Residential	24.00	35.06	24.85
4	2 Inch Residential	33.60	49.09	33.75
5	3 Inch Residential	45.60	66.62	45.75
6	4 Inch Residential	57.60	84.15	58.00
7	6 Inch Residential	200.00	292.20	202.00
8	8 Inch Residential	400.00	584.40	430.00
9				
10	5/8 Inch Commercial	10.00	14.61	\$ 10.10
11	1 Inch Commercial	17.10	24.98	17.15
12	2 Inch Commercial	33.60	49.09	33.75
13	3 Inch Commercial	45.60	66.62	45.75
14	4 Inch Commercial	57.60	84.15	58.00
15	6 Inch Commercial	200.00	292.20	202.00
16	8 Inch Commercial	400.00	584.40	430.00
17				
18	Multi-Family - All Meter Sizes	10.00	14.61	10.10
19				
20	<u>Gallons In Minimum</u>			
21	All, except Multi-Unit Properties	1000	1,000	0
22	Multi-Units based on multiple of 5/8 x 3/4			
23				
24	<u>Tier 1: Gallons up to 999,999,999</u>			
25	All, except Multi-Unit Properties	999,999,999	999,999,999.00	999,999,999.00
26	Multi-Units based on multiple of 5/8 x 3/4			
27				
28				
29	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
30				
31	Summer Rate	1.42	2.07	1.35
32	Winter Rate	1.31	1.91	1.35
33				
34				
35				
36	References:			
37	Columns (A) & (B): Company Schedule H-3, Pages 1 & 2			
38	Column (C): TJC-16, Page 1			

**RATE DESIGN**

LINE NO.	CUSTOMER CLASSIFICATION and/or Meter Size	(A) RUCO PROPOSED RATE DES'N	(B) ANNUALIZED BILL & GAL. COUNT	(C) RUCO PROPOSED REVENUE
<b>MONTHLY MINIMUM USAGE CHARGE:</b>				
1				
2	Residential 5/8 Incht	6.70	145,866	977,262
3	Residential 1 Incht	11.70	372	4,352
4	Residential 1.5 Incht	19.00	-	0
5	Residential 2 Incht	24.00	108	2,592
6				
7	Residential Multi-Family 5/8 Incht	6.70	6,876	46,069
8	Residential Multi-Family 1 Incht	6.70	3,144	21,065
9	Residential Multi-Family 1.5 Incht	6.70	1,560	10,452
10	Residential Multi-Family 2 Incht	6.70	18,300	122,610
11	Residential Multi-Family 4 Incht	6.70	1,284	8,603
12	Residential Multi-Family 6 Incht	6.70	12,648	84,742
13				
14	<u>Residential Rio Water</u>			
15	5/8 Incht (a)	6.00	3,276	19,656
16	1 Incht (a)	11.20	12	134
17	2 Incht (a)	21.75	12	261
18				
19	Commercial 5/8 Incht	6.70	4,608	30,874
20	Commercial 1 Incht	11.65	1,680	19,572
21	Commercial 1.5 Incht	19.00	192	3,648
22	Commercial 2 Incht	24.00	2,016	48,384
23	Commercial 3 Incht	45.00	192	8,640
24				
25	Commercial Multi-Unit 5/8 Incht	6.70	1,128	7,558
26	Commercial Multi-Unit 1 Incht	6.70	264	1,769
27	Commercial Multi-Unit 1.5 Incht	6.70	60	402
28	Commercial Multi-Unit 2 Incht	6.70	216	1,447
29				
30	Public Authority 5/8 Incht	6.70	324	2,171
31	Public Authority 1 Incht	11.65	96	1,118
32	Public Authority 1.5 Incht	19.00	60	1,140
33	Public Authority 2 Incht	25.00	432	10,800
34	Public Authority 3 Incht	45.00	12	540
35	Public Authority 4 Incht	64.00	8	512
36	Public Authority 6 Incht	150.00	12	1,800
37				
38	Private Fire 2 Incht	2.65	132	350
39	Private Fire 4 Incht	5.30	759	4,023
40	Private Fire 6 Incht	7.95	180	1,431
41	Private Fire 8 Incht	10.60	60	636
42	Private Fire 10 Incht	13.25	12	159
43	Private Fire Hydrant	6.85	1,884	12,905
44				
45	TOTAL ANNUALIZED MONTHLY CUSTOMER COUNT AND BASIC CHARGE		207,779	1,457,677
46				
47	NO GALLONS INCLUDED OR PROPOSED IN THE MONTHLY MINIMUM USAGE CHARGE			
48				
49	<b>COMMODITY RATES - ALL METERS (Per 1,000 Gallons):</b>			
50				
51	Mohave	\$ 1.20	1,726,503	\$ 2,071,804
52	Rio Water	\$ 1.47	39,406	\$ 57,927
53				
54	TOTAL ANNUALIZED COMMODITY USAGE AND CHARGES		1,765,909	\$ 2,129,730
55				
56	Miscellaneous Revenue			108,705
57				
58	<b>TOTAL PROPOSED ANNUALIZED REVENUE</b>			<b>\$ 3,696,112</b>
59				
60	Required Revenue (As Per Schedule TJC-6, Col (E), L4)			3,696,112
61	Difference			\$ (1)

**References:**

Column (A): TJC-16, Page 2 - Recommended/Proposed Rates  
Column (B): Response To RUCO Data Request No. 1.0  
Column (C): Columns (A) X (B)

RATE DESIGN - MONTHLY MINIMUM AND COMMODITY CHARGES

LINE NO.	DESCRIPTION	(A) PRESENT RATES	(B) COMPANY PROPOSED	(C) RUCO PROPOSED
MONTHLY MINIMUM USAGE CHARGE:				
1	5/8 X 3/4 - Inch (a)	\$ 8.65	\$ 9.84	\$ 6.70
2	3/4 - Inch	-	-	-
3	1 - Inch	15.00	17.07	11.70
4	1 1/2 - Inch	25.00	28.45	19.00
5	2 - Inch	30.00	34.14	24.00
6	3 - Inch	60.00	68.28	45.00
7	4 - Inch	90.00	102.42	64.00
8	6 - Inch	200.00	227.60	150.00
9	8 - Inch	400.00	455.20	300.00
10	10 - Inch	N/A	787.20	395.00
<u>Residential Rio Water</u>				
11	5/8 X 3/4 Inch (a)	7.75	8.82	6.00
12	1 Inch (a)	7.75	8.82	11.20
13	2 Inch (a)	7.75	8.82	21.75
<u>Private Fire</u>				
14	2 Inch or Smaller (a)	3.00	3.41	2.65
15	4 Inch (a)	6.00	6.83	5.30
16	6 Inch (a)	9.00	10.24	7.95
17	8 Inch (a)	12.00	13.66	10.60
18	10 Inch	15.00	17.07	13.25
19	12 Inch (a)	18.00	20.48	17.40
20	14 Inch (a)	21.00	23.90	20.30
21	20 Inch	30.00	34.14	30.00
22	Per Sprinkler Head (a)	0.51	0.58	0.44
23	Per each Private Fire Hydrant (a)	7.64	8.69	6.85
<u>Gallons in Minimum</u>				
24	All (except Rio Water)	1000	1,000	0
25	Multi-Units based on multiple of 5/8 x 3/4			
26	Rio Water	2000	2,000	0
<u>Tier 1: Gallons up to 999,999,999</u>				
27	All (except Rio Water)	999,999,999	999,999,999.00	999,999,999.00
28	(Multi-Units based on multiple of 5/8 x 3/4)			
29	Rio Water	999,999,999	999,999,999.00	999,999,999.00
COMMODITY RATES - ALL METERS (Per 1,000 Gallons):				
28	All (a)	1.48	1.68	1.20
29	Rio Water (a)	1.75	1.99	1.47

(a) Rounded to nearest whole cent

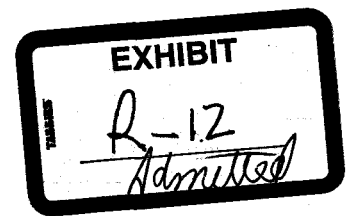
References:

Columns (A) & (B): Company Schedule H-3, Pages 1 & 2  
Column (C): TJC-16, Page 1

**EXHIBIT**  
R-1  
~~Admitted~~

[illegible]

## ARIZONA CORPORATION COMMISSION RATEMAKING FORMULA



1 RATE BASE x ROR = REQUIRED OPERATING INCOME  
or

2 REQUIRED RATE OF RETURN / RATE BASE = ROR

OCRB = \$1,000,000 RCND = \$3,000,000 FAIR VALUE = \$2,000,000

OCRB ROR x 10.00%

REQ. OPER. INC. = \$100,000

then utilizing formula 2 above

RCND ROR =  $100,000 / 3,000,000 = 3.33\%$

FAIR VALUE ROR =  $100,000 / 2,000,000 = 5.00\%$

therefore utilizing AZ\_AM methodology of applying OCRB ROR  
to RCND Rate Base results in the following over statement

RCND = \$3,000,000

OCRB ROR x 10.00%

REQ. OPER. INC. 300,000

REQ. OPER. INC. PER  
ACC METHODOLOGY 100,000

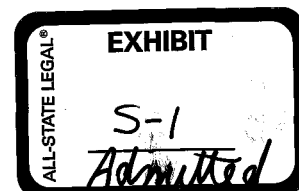
OVERSTATEMENT \$200,000

**THIRD AMENDMENT TO SEWAGE TREATMENT AND TRANSPORTATION  
SERVICES AGREEMENT BETWEEN THE CITY OF TOLLESON AND ARIZONA-  
AMERICAN WATER COMPANY**

THIS THIRD AMENDMENT, effective this 22 day of April, 2003, is by and between the City of Tolleson, a municipal corporation of the State of Arizona ("Tolleson"), and Arizona-American Water Company, an Arizona corporation ("Arizona-American"), collectively referred to as the "Parties." The purpose of this Third Amendment is to clarify, amend and supplement the Sewage Treatment and Transportation Services Agreement originally executed on or about June 21, 1985 between the City of Tolleson and Arizona-American's predecessor in interest, Sun City Sewer Company, as amended by Amendment No. 1 to Sewage Treatment and Transportation Services Agreement, and Amendment No. 2 to Sewage Treatment and Transportation Services Agreement, both executed on or about June 21, 1987, and as supplemented by the Refinancing Supplement Sewage Treatment and Transportation Services Agreement dated May 1, 1998 (collectively the "1985 Agreement").

**RECITALS**

- A. The Parties recognize the need to clarify, amend and supplement the 1985 Agreement with respect to ongoing and future capital improvement projects relating to the Tolleson Waste Water Treatment Plant ("WWTP") and the allocation of charges for capital improvements and routine operation and maintenance costs to the WWTP under the 1985 Agreement. The Parties each have determined that it would be in their mutual interest to modify and amend the 1985 Agreement as set forth in this Third Amendment.
- B. The Parties expressly intend that the terms and conditions of the 1985 Agreement shall remain in full force and effect except as provided in this Third Amendment.



## AGREEMENTS

NOW, THEREFORE, for and in consideration of the foregoing and of the mutual covenants and agreements herein contained, the Parties hereby agree as follows:

1. Rate Component Three. The Parties expressly agree to amend and modify Article IV, Section 2, Paragraph (1)(C) of the 1985 Agreement as follows relating to invoicing and payment of charges for routine replacement and contingency charges under Rate Component Three of the 1985 Agreement. Specifically, the Parties intend to replace the language contained in Article IV, Section 2, Paragraph (1)(C) of the 1985 Agreement with the following language:

"Rate Component Three—Replacement and Contingencies Reserve. Rate Component Three shall be a charge credited to the Replacement and Contingencies Reserve Account ("Reserve"), which Reserve shall be interest bearing. Each month the sum of up to Twenty Thousand Dollars (\$20,000) shall be charged until such Reserve, including the interest thereon, aggregates to the sum of Two Hundred Thousand Dollars (\$200,000). The Reserve shall cover Arizona-American's pro rata share of expenditures for routine replacement and contingency charges, including certain maintenance, operation and other such charges relating to the WWTP. Moneys credited to said Reserve shall be used only for the payment of Arizona-American's pro rata share (on a capacity basis) of such replacement and contingency charges. Replacement and contingency charges shall be incurred for the purpose of repairing and/or replacing existing equipment and facilities whereby the equipment and facility subject to the replacement and contingency charge has a useful life of no less than one year and no more than ten years. Tolleson agrees to treat replacement and contingency charges for equipment and facilities with a useful life of greater than ten years under Rate Component Four absent written approval by

Arizona-American. All earned interest attributable to Arizona-American and moneys remaining in said Reserve at the expiration of the 1985 Agreement shall be paid to Arizona-American by Tolleson within 60 days of said expiration or extension."

2. Rate Component Four - Capital Construction Projects and Facilities Improvements and Additions. Tolleson has determined, through the June 2001 Wastewater Treatment Plant Infrastructure Assessment Phase I Study performed for Tolleson by Brown and Caldwell and otherwise, that certain capital improvement projects and facilities additions ("Capital Projects") are and will be required in relation to the WWTP to continue providing the Sewage Treatment Services as identified in the 1985 Agreement, including the maximum flow amounts allowed therein. Such Capital Projects will benefit Arizona-American and all other WWTP users. Current Capital Projects are identified more specifically in the List of Capital Projects attached hereto as Exhibit "A" and incorporated herein by this reference. The Parties recognize that additional Capital Projects might be necessary in the future. Accordingly, the Parties desire, in this Third Amendment, to establish a mechanism for Arizona-American to pay its proportionate share of the reasonable costs associated with those Capital Projects.

a. Identification of Capital Projects. Within 30 days of execution of this Third Amendment, Tolleson shall provide Arizona-American with a schedule indicating the estimated cost and construction timetable for each project identified in Exhibit "A", and such schedule shall then be attached hereto as Exhibit "B" and incorporated herein by this reference. Exhibit "A" and Exhibit "B" shall be updated from time-to-time, at least annually, as Tolleson determines that additional Capital Projects in relation to the WWTP are necessary and as the nature and estimated cost of the Capital Projects may be modified. Tolleson shall make

available to Arizona-American copies of any studies or similar documents evidencing the need for additional Capital Projects or the modification of current or additional Capital Projects.

b. Review of Plans and Specifications by Arizona-American. Tolleson hereby agrees that all plans and specifications relating to any Capital Project identified in Exhibit "B" as supplemented or amended from time-to-time shall be made available to Arizona-American or its designated engineers for review and comment prior to commencement of construction.

c. Review of Construction and Equipment Contracts. Tolleson hereby agrees that all procurement documents, including construction and equipment contracts, relating to any Capital Project identified in Exhibit "B" as supplemented or amended from time-to-time shall be made available to Arizona-American before and after bid acceptance. Tolleson shall notify Arizona-American of any contract change orders arising during construction.

d. Value Engineering Sessions. Tolleson agrees to hold at least two Value Engineering sessions for every project over \$250,000 using standard Value Engineering or Value Method techniques. One such session shall be held as early in the design process as possible and a second shall be held before the design process for such project is more than thirty percent (30%) in order to allow Arizona-American and any other stakeholder an opportunity to provide input on both the design and construction of all such projects. Tolleson shall ensure that its design engineer participates in such sessions and shall further ensure that all stakeholders in the WWTP are provided an opportunity to participate in such Value Engineering meetings.

e. Rate Component Four. Rate Component Four shall consist of charges equivalent to Arizona-American's pro rata share (on a capacity basis) of costs associated with any Capital Project identified in Exhibit "A" and Exhibit "B" hereto. Tolleson acknowledges that Arizona-American may wish to finance and/or otherwise recover the charges under Rate Component Four

and that Arizona-American, as a public service corporation, will require Arizona Corporation Commission approval for such financing and/or recovery. Arizona-American agrees to take all reasonable steps to promptly obtain such approval. Rate Component Four shall be separately invoiced by Tolleson and paid by Arizona-American as follows:

(1) Tolleson shall provide a one-time initial invoice (the "Initial Invoice") reflecting Arizona-American's pro rata share of Capital Project costs to date within thirty (30) days of the earliest of the following to occur: (i) approval by the Arizona Corporation Commission of an accounting order allowing Arizona-American to defer expensing of Capital Project costs for consideration of future regulatory recovery; (ii) issuance of a final decision of the Arizona Corporation Commission in Arizona-American's 2002 general rate case, Docket Nos. WS-01303A-02-0867, *et al*; or (iii) Tolleson's expenditure of \$3,200,000.00 toward Tolleson's share of Capital Project costs. Payment of the Initial Invoice (the "Initial Payment") by Arizona-American must be received by Tolleson within thirty (30) days of the receipt by Arizona-American of the Initial Invoice.

(2) After the Initial Invoice and Initial Payment, all subsequent invoices to and payments by Arizona-American shall be based upon estimated payment schedules prepared by Tolleson and provided to Arizona American within thirty (30) days of award of each contract or related group of contracts associated with a Capital Project. Payment by Arizona-American must be received by Tolleson in time sufficient for Tolleson to comply with the prompt payment provisions of A.R.S. § 34-221, but in no event less than fourteen (14) days after the receipt by Arizona-American of each of Tolleson's invoices.

f. Accounting Treatment. Tolleson hereby agrees not to treat any cost associated with any Capital Project that benefits Arizona-American and that is to be recovered under Rate

Component Three or Rate Component Four as set forth herein as charges covered by Rate Components One or Two under the 1985 Agreement, except as otherwise provided under this Third Amendment.

3. Cooperation Clause. Tolleson supports Arizona-American's efforts to recover its costs and expenses associated with the 1985 Agreement and this Third Amendment in any appropriate accounting, ratemaking, or related proceedings before the Arizona Corporation Commission. Tolleson further agrees to cooperate with and do all things reasonably requested by Arizona-American to assist in all such Commission proceedings, provided such cooperation does not result in significant cost to Tolleson.

4. Modification Of This Third Amendment. This Third Amendment may not be modified or amended except by a writing signed by the Parties.

5. Ratification and Confirmation of 1985 Agreement. The Parties hereby ratify the 1985 Agreement and confirm that, except as amended herein and in prior amendments, it remains in effect, subject to the terms and conditions contained therein

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized.

CITY OF TOLLESON

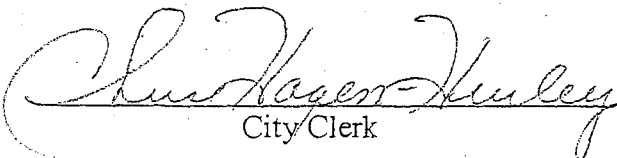
By

Mayor

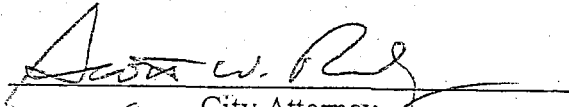
Date

April 22, 2003

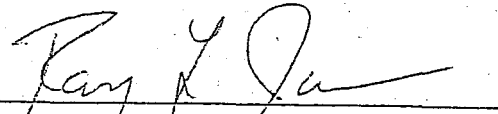
ATTEST:

  
City Clerk

APPROVED AS TO FORM and within  
the powers and authority granted  
under the Laws of Arizona to the  
City of Tolleson

  
City Attorney  
Date April 22, 2003

ARIZONA-AMERICAN WATER COMPANY

By   
Its President  
Date 3/31/03

JSHAPIRO/1395359

CITY OF TOLLESON  
WASTEWATER TREATMENT PLANT

EXHIBIT A

LIST OF CAPITAL PROJECTS

<u>ITEM #</u>	<u>PROJECT / ISSUE</u>
1	EFFLUENT UPGRADE/EAST TRICKLING FILTER
2	SOLIDS HANDLING FACILITIES UPGRADES
3	STANDBY POWER AND DISTRIBUTION UPGRADE
4	DISINFECTION PROJECT
5	PRIMARY SEDIMENTATION/HEADWORKS/MLPS UPGRADE

CITY OF TOLLESON  
WASTEWATER TREATMENT PLANT

EXHIBIT B

CAPITAL PROJECTS  
ESTIMATED COSTS/CONSTRUCTION TIMETABLE

ITEM #	CAPITAL PROJECT	ESTIMATED COST	Design	Construction	Start	AAWC SHARE	COMMENTS
1	Effluent Quality Upgrade	\$ 3,521,855.00		12 months	Jun-03	\$ -	Design complete 100% finance by Tolleson
1.1	East FSTF, 10ft w/arms	\$ 1,430,406.00			Mar-04	\$ 425,000.00	
2	Solids Handling Facilities		12 months		May-03		
3	Standby Power/Distribution	\$ 18,133,500.00		60 months	Jul-04	\$ 5,379,800.00	
			8 months		Jul-03		
		\$ 5,685,750.00		60 months	Jan-04	\$ 1,676,800.00	
4	Disinfection Upgrade Project	\$ 4,155,000.00	9 months	16 months	Jul-03	\$ 1,234,000.00	
4.1	Dechlorination Facility				Aug-04		
5	Primary/Headworks/MLPS	\$ 3,915,000.00	13 months		Sep-03		
				18 months	Oct-03		
					Nov-04	\$ 1,162,800.00	Further Cost information needed.
	TOTAL:	\$ 36,841,511.00			SUBTOTAL:	\$ 9,878,400.00	

BEFORE THE ARIZONA CORPORATION COMMISSION

Corporation Commission

DOCKETED

MAY 07 1997

DOCKETED BY

CLW

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
RENZ D. JENNINGS  
COMMISSIONER

DOCKET NO. E-1032-95-417

IN THE MATTER OF THE APPLICATION OF  
CITIZENS UTILITIES COMPANY, AGUA FRIA  
WATER DIVISION, FOR A HEARING TO  
DETERMINE THE FAIR VALUE OF ITS  
PROPERTIES FOR RATEMAKING PURPOSES  
TO FIX A JUST AND REASONABLE RATE OF  
RETURN THEREON, AND TO APPROVE  
RATE SCHEDULES DESIGNED TO PROVIDE  
SUCH RATE OF RETURN.

DOCKET NO. U-2276-95-417

IN THE MATTER OF THE APPLICATION OF  
SUN CITY SEWER COMPANY FOR A  
HEARING TO DETERMINE THE FAIR  
VALUE OF ITS PROPERTIES FOR  
RATEMAKING PURPOSES, TO FIX A JUST  
AND REASONABLE RATE OF RETURN  
THEREON, AND TO APPROVE RATE  
SCHEDULES DESIGNED TO PROVIDE SUCH  
RATE OF RETURN.

DOCKET NO. U-1656-95-417

IN THE MATTER OF THE APPLICATION OF  
SUN CITY WATER COMPANY FOR A  
HEARING TO DETERMINE THE FAIR VALUE  
OF ITS PROPERTIES FOR RATEMAKING  
PURPOSES, TO FIX A JUST AND  
REASONABLE RATE OF RETURN THEREON,  
AND TO APPROVE RATE SCHEDULES  
DESIGNED TO PROVIDE SUCH RATE OF  
RETURN.

DOCKET NO. U-2334-95-417

IN THE MATTER OF THE APPLICATION OF  
SUN CITY WEST UTILITIES COMPANY FOR  
A HEARING TO DETERMINE THE FAIR  
VALUE OF ITS PROPERTIES FOR  
RATEMAKING PURPOSES, TO FIX A JUST  
AND REASONABLE RATE OF RETURN  
THEREON, AND TO APPROVE RATE  
SCHEDULES DESIGNED TO PROVIDE SUCH  
RATE OF RETURN.

60172

ALL-STATE LEGAL®

EXHIBIT

S-2

Admitted

1 IN THE MATTER OF THE APPLICATION OF )  
2 TUBAC VALLEY COMPANY FOR A )  
3 HEARING TO DETERMINE THE FAIR VALUE )  
4 OF ITS PROPERTIES FOR RATEMAKING )  
5 PURPOSES, TO FIX A JUST AND )  
6 REASONABLE RATE OF RETURN THEREON, )  
7 AND TO APPROVE RATE SCHEDULES )  
8 DESIGNED TO PROVIDE SUCH RATE OF )  
9 RETURN. )

DOCKET NO. U-1595-95-417

10 IN THE MATTER OF THE APPLICATION OF )  
11 SUN CITY SEWER COMPANY FOR REVIEW )  
12 OF ITS SEWER TREATMENT SURCHARGE. )

DOCKET NO. U-2276-95-420

13 IN THE MATTER OF THE APPLICATION OF )  
14 SUN CITY WATER COMPANY FOR AN )  
15 EXTENSION OF ITS CERTIFICATE OF )  
16 CONVENIENCE AND NECESSITY TO SERVE )  
17 THE TOWN OF YOUNGTOWN, ARIZONA. )

DOCKET NO. U-1656-96-282

18 IN THE MATTER OF THE APPLICATION OF )  
19 SUN CITY SEWER COMPANY FOR AN )  
20 EXTENSION OF ITS CERTIFICATE OF )  
21 CONVENIENCE AND NECESSITY TO SERVE )  
22 THE TOWN OF YOUNGTOWN, ARIZONA. )

DOCKET NO. U-2276-96-282

DECISION NO. 60172

**OPINION AND ORDER**

23 PUBLIC COMMENTS:

May 15, 1996 (Phoenix, Sun City, and Surprise, Arizona);  
June 7, 1996 (Nogales, Arizona).

24 DATES OF HEARING:

March 20, April 17, and April 30, 1996 (pre-hearing  
conferences), October 29, 30, 31; November 1, 4, 5, 6, 7,  
8, 12, 13, 14, and 15, 1996.

25 PLACE OF HEARING:

Phoenix, Arizona

26 PRESIDING OFFICER:

Lyn Farmer

27 IN ATTENDANCE:

Renz D. Jennings, Chairman  
Marcia Weeks, Commissioner  
Carl J. Kunasek, Commissioner

28 APPEARANCES:

Ms. Beth Ann Burns and Ms. Susan Mikes Redner,  
Associate General Counsels, on behalf of Citizens Utilities  
Company;

Mr. James P. Beene and Mr. Paul R. Michaud, St  
Attorneys, on behalf of the Residential Utility Consum  
Office;

2 Mr. Josephe E. Larue and Mr. William G. Beyer, BEYER,  
3 SPRILSBURY & LARUE, on behalf of the Sun City  
4 Homeowners Association, the Recreation Centers of Sun  
5 City West, Incorporated, the Sun Village Unity  
6 Association, and the City of Surprise;

7 Mr. Philip H. Vision, in propria persona;

8 Mr. Lester E. Merydith, in propria persona, on behalf of  
9 Sun City Water Users Association;

10 Mr. Tom Delgado, Staff Counsel, on behalf of Central  
11 Arizona Water Conservation District;

12 Mr. William P. Sullivan, MARTINEZ & CURTIS, P.C.,  
13 on behalf of Sun City Taxpayers' Association;

14 Mr. Charles L. Cahoy, Deputy Counsel, on behalf of the  
15 Department of Water Resources; and

16 Mr. Paul A. Bullis, Chief Counsel, and Ms. Deborah R.  
17 Scott, Staff Attorneys, on behalf of the Utilities Division  
18 of the Arizona Corporation Commission.  
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**BY THE COMMISSION:**

On August 17, 1995, Citizens Utilities Company, Agua Fria Water Division, Sun City Sewer Company, Sun City Water Company, Sun City West Utilities Company and Tubac Valley Company, (collectively "Company", "Citizens", or "Maricopa W/WW") filed applications with the Arizona Corporation Commission ("Commission") for rate increases ("Joint Rate Applications").

Between September 15, 1995 and October 2, 1995, the Company revised the application and on October 3, 1995, the Commission's Utilities Division ("Staff") found that the Company had met the filing requirements of A.A.C. R14-2-103 and was classified as a Class A utility.

On October 3, 1995 Sun City Sewer Company filed an application for review of its sewer treatment charges, and on November 3, 1995 the sewer treatment surcharge application was consolidated with the Joint Rate Applications.

On May 8, 1996, Sun City Water and Sun City Sewer filed a Joint Application for extensions to their Certificates of Convenience and Necessity ("Certificate" or "CC&N").

On July 17, 1996, Staff filed a Motion requesting consolidation of the Joint Rate Applications and the Joint CC&N Applications and by Procedural Order issued on August 2, 1996, the consolidation was granted.

During the period between October 3, 1995 through June 12, 1996, the following requested and were granted intervention status: the Sun Village Community Association ("SVCA"); Centurion Management Company ("Centurion"); Bell West Ranch Limited Partnership and Surprise 222 Limited Partnership ("Partnerships"); Shea Homes Limited Partnership ("Shea Homes"); the Residential Utility Consumer Office ("RUCO"); the City of Glendale; Mr. Lester E. Merydith; the Property Owners and Residents Association of Sun City West ("PORA"); Mr. Richard Kithil; Mr. Anthony Pavone; the Tubac Golf Resort ("Tubac"); the Santa Cruz Valley Citizen's Council, Inc. ("SCVCC"); the Sun City Home Owners Association ("SCHOA"); the Sun City West Recreation Centers, Inc. ("SCWRC"); the Sun City Taxpayers' Association ("SCTA"); the Central Arizona Water Conservation District ("CAWCD"); the Happy Trails Community Association ("HTCA") through its Manager, Mr. Leon Rye; the Tubac Fire District Board ("TFDB"); the City of Surprise; and the Arizona Department of Water Resources ("ADWR").

Subsequently, there were numerous discovery disputes between primarily RUCO, Staff, and other parties on the one hand and the Company on the other hand. Oral arguments on the discovery disputes occurred on March 5, March 20, April 3, and April 23, 1996. The Presiding Officer issued the following decision at the March 15, 1996 oral argument, and a Procedural Order was issued on March 22, 1996 which set forth the following:

We find that pursuant to A.A.C. R14-2-103(B)(11)(e)(ii) there are clearly extraordinary events in this case, including:

- (1) Citizens has knowingly failed to respond to discovery requests in a timely manner. On October 11, 1995, Staff filed its Request for Procedural Order. On October 23, 1995, the Company filed a Response, stating that the proposed discovery schedules do not allow it a reasonable and adequate opportunity to prepare responses and objections to discovery. Our October 25, 1996 Procedural Order rejected the Company's arguments and clearly specified a time frame of ten days in which to respond to discovery requests. Citizens did not appeal this ruling. Citizens readily admits that it has been late in responding to data requests,<sup>1</sup> and continues to be late in its responses, even after the Procedural Conference.
- (2) Citizens failed to comply with the March 5, 1996 bench ruling as set forth in the March 6, 1996 Procedural Order. Citizens did not immediately respond to all outstanding data requests.
- (3) Citizens has not shown that it has taken steps to modify its internal process to insure compliance with the October 25, 1995 or the March 6, 1996 Procedural Orders.
- (4) the Motion For Stay filed by Citizens on March 12, 1996.
- (5) Citizens' announcement of an "amended application"/"corrected filing" to be filed no later than the end of the week (March 8, 1996), and then its decision announced at the March 20, 1996 Procedural Conference not to make the filing.
- (6) Citizens' filing three rate cases within several weeks of each other, including this rate case, which is actually six applications combined into one proceeding.
- (7) During a similar discovery Procedural Conference in Docket No. E-1032-95-433, Citizens' pending electric rate application, the Commission suspended the Timeclock Rules.

While we find each of the above is an extraordinary event by itself, cumulatively we find it even more compelling.

We find that the Company's clear, repeated violations of the Commission's rulings and orders has harmed Staff, RUCO, and the other Intervenors' opportunity to analyze data and fully present their case(s). As a result, Staff and RUCO's Motions are granted, and the Timeclock Rules are suspended.

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<sup>1</sup> At the March 5, 1996 Procedural Conference, it indicated that it was an average of 12 days late in responding to Staff and RUCO data requests. Staff indicated that the Company was an average of 14 days late, with some data requests being as late as 40 days. At the March 20, 1996 Procedural Conference, the Company indicated that its average "lateness" was improving.

1 By Procedural Order issued May 9, 1996, the stay of the Timeclock Rules was lifted and the  
2 hearing was rescheduled for October 29, 1996. The May 9, 1996 Procedural Order determined that the  
3 time-clock rules were extended by 167 days as a result of the extraordinary events.

4 This consolidated matter came before a duly authorized Hearing Officer of the Commission at  
5 the Commission's offices in Phoenix, Arizona on October 29, 1996. Citizens, RUCO, and various  
6 intervenors appeared through counsel and Staff appeared through counsel. At the conclusion of the  
7 hearing, the matter was adjourned pending submission of simultaneous initial and reply briefs on  
8 December 18, 1996 and January 17, 1997, respectively. On February 21, 1997, the Company, Staff, and  
9 RUCO filed composite schedules.

## 10 DISCUSSION

### 11 I. NATURE OF APPLICANT'S OPERATIONS AND PROPOSED INCREASES

12 Citizens is a Delaware corporation and diversified public utility which, through its operating  
13 divisions and subsidiaries, provides electric, natural gas, telecommunications, water and wastewater  
14 service to approximately 1.8 million customers in 20 states. Citizens is engaged in the business  
15 providing public utility water and wastewater service to approximately 90,000 customers in Maricopa  
16 and Santa Cruz Counties pursuant to Certificates of Public Convenience and Necessity granted by the  
17 Commission. Maricopa W/WW includes six operations with individual rate structures and separate  
18 accounting records. They include the Agua Fria Water Division ("Agua Fria"), Citizens' wholly-owned  
19 subsidiaries Sun City Sewer Company ("Sun City Sewer"), Sun City Water Company ("Sun City  
20 Water"), Sun City West Utilities Company water operations ("Sun City West Water") and wastewater  
21 operations ("Sun City West Wastewater"), and Tubac Valley Water Company.

22 In its application, Citizens requested an increase in operating revenues of approximately \$3.68  
23 million. During the course of the proceeding, Citizens revised its request to approximately \$2.1 million.  
24 For each of the operations, the rate relief requested now is as follows: Sun City Water Company,  
25 \$364,780; Sun City Sewer Company, \$404,392; Sun City West water operations, \$127,492; Sun City  
26 West wastewater operations, \$994,602; Citizens Agua Fria Water Division, \$148,555; and Tubac Valley  
27 Water Company, \$51,662. Staff recommended an overall decrease of \$420,162 and RUCO  
28 recommended an overall increase in the Company's operating revenues of \$525,071.

## II. CENTRAL ARIZONA PROJECT

### Background

In 1968, Congress passed the Colorado River Basin Project Act in response to comprehensive water resource studies conducted by federal and state agencies which indicated that projected water demand for agricultural and municipal uses could not be effectively met by available local water resources. The Central Arizona Project ("CAP") was planned and built jointly by federal agencies (Department of Interior -- Bureau of Reclamation) and state agencies and was designed and constructed to divert water from the Colorado River and transport it for use within central and southern Arizona to augment current water supplies and to help mitigate continued overdraft of the groundwater supplies. The State of Arizona created the Central Arizona Water Conservation District ("CAWCD") in 1971 to act as the State's authority to contract with the federal government to manage and operate the project, to levy taxes, and to subcontract with potential users for water delivery at rates established by CAWCD.

The CAP was declared complete in October 1993, at a total cost of over \$3 billion. It consists of a 24.3 percent interest in the Navajo Generating Plant, aqueducts, pumping plants, check structures, an operation/control center, the new Waddell Dam, canal and pump/generating plant, turnouts and a communications system. The water is diverted from the Colorado River at Lake Havasu and transported through aqueducts and canals to Lake Pleasant, where it can be temporarily stored, and then pumped to Phoenix and Tucson. The CAP was designed to transport approximately 1.5 million acre feet annually to Arizona.

There are three types of subcontractors<sup>2</sup> for CAP water: Indian, non-Indian municipal and industrial ("M&I"), and non-Indian agricultural. There are three categories of CAP costs, including the M&I Capital Charge which is paid semi-annually regardless of whether the water is used and is intended to repay the federal government for construction costs of CAP; the costs related to the energy needed to pump and transport the water ("energy charge") and the operation, maintenance, and replacement of the water delivery system ("OM&R"), both of which are paid only when CAP water is actually being used.

One hundred percent of Citizens' water supply is provided by groundwater. On October 24,

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<sup>2</sup> The CAWCD is the prime contractor with the Department of the Interior, and the individual CAP water user enters into a "subcontract" with CAWCD and the Department of Interior.

1985, Sun City Water and Agua Fria entered into CAP subcontracts with the United States Bureau of Reclamation and the CAWCD for water allocations of 17,274 acre feet per year.<sup>3</sup> Citizens has also requested from the CAWCD that it be allowed to obtain the Town of Youngtown's ("Youngtown") CAP allocation of 380 acre feet in conjunction with its purchase of Youngtown's water system. If approved, Citizens would have a total allocation of 17,654 acre feet.

In March 1994, the Company completed a Water Resources Planning Study that concluded that continuous reliance solely on groundwater to meet the municipal and industrial demand could result in decreased water levels, increased pumping costs, well failures, diminished water quality, and land subsidence. The study recommended that the Company pursue the development of additional water resources to supplement its water supplies, and noted that the most technically and legally feasible alternative was the development and use of CAP water.

In August 1995, the Company completed a Water Use Feasibility Study which looked at three options for the use of CAP water. The study concluded that all three options were technically feasible, but selected the joint recharge project with the CAWCD along the Agua Fria River as the preferred option due to anticipated economies of scale, the advantage of having CAWD as a partner, and the expected financial benefits from partial state financing.

On June 27, 1994, Sun City Water and Agua Fria filed a Joint Application with the Commission requesting an accounting order authorizing deferral of CAP water charges to allow the companies an opportunity to request recovery of the costs in a future rate proceeding. In Decision No. 58750, (August 31, 1994) the Commission approved the requested accounting order beginning with CAP water charges for 1995. The CAWCD assesses annual M & I Capital Charges based upon a per acre foot charge. The CAP water charges in 1995 were \$21.00 per acre foot and have continued to escalate to \$30.00 per acre foot in 1996, \$39.00 per acre foot in 1997, \$48.00 per acre foot for 1998-9, and \$54.00 per acre foot in 2000 and thereafter.

#### Recovery of CAP Capital Charges

In this rate application, Maricopa W/WW requests rate recognition for the deferred and on-going

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<sup>3</sup> 15,835 acre feet per year for Sun City Water and 1,439 acre feet per year for Agua Fria.

CAP water charges in the form of a surcharge mechanism applicable to the customers of Sun City Water, Agua Fria, and Sun City West Water.<sup>4</sup> The surcharge would include a flat fee on the monthly water bill, calculated by dividing the CAP costs to be recovered by the total number of units served, and would also include an annual adjustment to reflect cost changes, any over or under-recovery of CAP costs from the prior year, and an interest component.

In response to the Staff proposal, and in the alternative to its surcharge mechanism, the Company proposed a sharing of CAP costs, with 20 percent to developers/new customers as a reservation fee, 40 percent to existing customers as a volumetric charge, and 40 percent to Sun City Water, Agua Fria, and Sun City West Water as deferred charges until the CAP facilities are placed into service. Maricopa W/WW also proposed treatment as a tax expense as a third, acceptable method for recovery of the CAP charges. Sun City Water and Agua Fria cite A.R.S. Section 48-3715.04 as the basis, and submit that the Commission should treat the CAP charges as a tax, subject to automatic pass through recovery from customers in accordance with the companies' tariffs. The Company's Vice President of Water and Wastewater Sector testified that if the Commission adopts either the Staff or RUCO proposal, he will have no choice but to recommend to the Company's Board of Directors that Sun City Water and Agua Fria dispose of their rights to the CAP allocations.

Staff agreed that the Company needs to develop alternative sources of water, but does not believe that the existing customers should have to pay for the cost of the CAP allocation because it is currently not providing any benefits to the customers. Staff believes that the Commission should not deviate from its long-standing policy that CAP water must actually be put to use prior to or commensurate with cost recovery from existing ratepayers. Staff proposed that the Company be allowed to recover approximately fifty percent<sup>5</sup> of deferred and current CAP M & I charges from new customer connections through the use of the CAP reservation fee. This reservation fee would be per meter for new customer connections in the Sun City Water, Sun City West Water, and Agua Fria service areas. Staff recommended that the Company be allowed to defer, with an earnings component, the remaining CAP M&I Capital Charges

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<sup>4</sup> Citizens has not been assessed any energy or OM&R charges because it is not using any CAP water.

<sup>5</sup> \$2,317,986.

1 for future recovery from ratepayers when the CAP allocation has been put to beneficial use for i  
2 customers in the Northwest Valley.

3 Because of the seriousness of the groundwater overdraft in Citizens' service area, Staff  
4 recommended that Citizens be ordered to put its CAP allocation to beneficial use for its customers no  
5 later than December 31, 2000. Staff also recommended that the amounts collected through the CAP  
6 reservation fee be deemed interim and subject to refund if the Company has not put its CAP allocation  
7 to beneficial use for its Northwest Valley customers by December 31, 2000, and that the Company be  
8 required to file an annual report with Staff which details on a monthly basis the CAP reservation fees by  
9 meter size collected during the fiscal year, the amount of earnings on the deferred CAP costs, and the  
10 balance in the CAP deferral account, with the first annual report for the fiscal year ending December 31,  
11 1997 filed with Staff no later than March 31, 1998.

12 RUCO believes that the Commission should not allow the Company to recover the CAP water  
13 charges from residential ratepayers because the Company is not using CAP water in the provision of  
14 service to its customers and therefore its CAP allocation is not "used and useful". Additionally, RUCO  
15 believes that the Company's proposal to use the CAP allocation is speculative and that the Company has  
16 no definitive plan to ever use CAP water. RUCO also recommends that on a going-forward basis, the  
17 Commission should rescind Citizens' authorization to defer its CAP costs granted in Decision No. 58750  
18 (August 31, 1994).

19 The SCTA recommended that the Commission deny recovery of the CAP charges. SCTA  
20 believes that the mere existence of a CAP subcontract does not provide any tangible benefit to the  
21 residents of Sun City. SCTA believes that groundwater depletion is a regional issue which should be  
22 financed through augmentation and water bank programs funded with state imposed groundwater  
23 withdrawal fees; CAWCD imposed property taxes, and monies appropriated from the State's general  
24 fund. SCTA believes that at most, Citizens should be allowed to continue to accrue the cost associated  
25 with maintaining its CAP subcontracts until such time as CAP water is put to use in a manner beneficial  
26 to its customers.

27 The Sun Village Community Association, the Property Owners and Residents Association of Su  
28 City West, the Sun City Home Owners Association, the Sun City West Recreation Centers, Inc., and the

City of Surprise (collectively, "Concerned Customers of Citizens") request that the Commission completely deny cost recovery if the Company refuses to condition cost recovery on delivery or use of CAP water; permit cost recovery based on an approved final plan, obtained through public participation, which addresses the individual needs of the different communities; mandate a date by which the Company must implement the final plan; condition cost recovery on the actual implementation of the plan; and require reimbursement if the Company refuses or is unable to deliver or use CAP water.

The CAWCD intervened in this case to "support the use of CAP water by its subcontractors and to support appropriate reimbursement by rate payers." The CAWCD stated its hope that the Commission's decision in this case will have the effect of encouraging Citizens to commence using its CAP allocation in an expedited manner, and thereby support the public policy goals of diminishing the mining of groundwater and depletion of reservoirs, and support the use of Arizona's full share of its Colorado River entitlement. The CAWCD believes that a long term CAP water allocation, regardless of whether the water is being physically delivered or not, reserves a long term renewable water supply for the service area and serves to sustain property values.

The ADWR intervened in this case to be "certain that the water management goals and policies of the State of Arizona were articulated and considered" by the Commission. According to an ADWR witness, groundwater pumpage by Citizens is a contributor to overdraft conditions in the Phoenix AMA, and in particular, to groundwater level declines in the West Valley. According to the ADWR, the CAP was authorized primarily with the intent of providing Colorado River water to replace over drafted groundwater, and delays in using the state's Colorado River allocation leaves Arizona vulnerable to charges that it does not need its full allocation. Citizens has the largest single CAP allocation among all private water companies, and if Citizens were to relinquish its CAP allocation, it is unlikely that Citizens could acquire municipal CAP water of this quantity in the future, and while water may be available through long-term leases, the associated costs could substantially exceed the costs with the CAP subcontract. The ADWR believes that putting Citizens' CAP allocation to use for its customers would help assure the long-term reliability of the water supply for those and future customers, and thereby help achieve the State's water management goals. The ADWR encouraged the Commission to use its authority to promote the use of Citizens' and other private water companies' CAP allocations so as to

1 assure that the current and future water demands of Arizona's citizens are met.

2 **Analysis**

3 It is clear from the evidence presented by the Company, ADWR, and Staff that the demand of  
4 existing customers is contributing to the groundwater depletion of the aquifer, land subsidence, and other  
5 environmental damage. It is also clear that the consequences of such excessive groundwater withdrawal  
6 include decreased water levels, diminished water quality, well failures, increased pumping costs, and  
7 more land subsidence. Most of the parties agree that action should be taken to attempt to rectify the  
8 current situation and prevent further problems, but they don't necessarily agree on the solution; on who  
9 should pay; or how or when payment should be made.

10 We find that the Company's decision to obtain allocations of CAP water was a prudent planning  
11 decision. Past Commission Decisions concerning recovery of M&I Capital Charges generally reflect  
12 the policy of not allowing cost recovery of CAP charges from existing customers until the water is  
13 actually being provided to customers.<sup>6</sup> However, most of the cases establishing that precedent involved  
14 using CAP water as a source to provide service to new customers, not using CAP water to prevent  
15 decreased water levels, diminished water quality, well failures, increased pumping costs, and land  
16 subsidence, caused, in part, by groundwater pumping for existing ratepayers. More recently in Decision  
17 No. 59079 (May 5, 1995), the Commission allowed recovery of M&I Capital Charges without CAP water  
18 actually being used where Paradise Valley Water Company showed that both existing and future  
19 customers benefitted from its CAP allocation.<sup>7</sup>

20 We find that such is the case here and that the Company contracted for CAP in order to meet the  
21 continuing groundwater requirements for its existing customers as well as help it to provide sufficient  
22 water to service all of its service areas at ultimate development. Provided that the CAP allocation will  
23 ultimately be used, the existing customers will benefit. The new customers will also benefit from the  
24

---

25 <sup>6</sup> See Decision No. 58120 (December 23, 1992) for Arizona Water Company; Decision No.  
26 57395 (May 23, 1991) for Chaparral City Water Company and Decision No. 58100 (December 9, 1992)  
for Midvale Farms Water Co.

27 <sup>7</sup> The CAP allocation had allowed the Company to obtain a 100 year assured water supp.,  
28 designation, which allowed development to occur that contributed additional revenues resulting in fixed  
costs being spread over a larger customer base.

CAP allocation by contributing to the use of renewable sources of water that will be used in the Northwest Valley to prevent diminished water quality, well failures, and future additional land subsidence, and thereby protect their economic investment in the area.

As pointed out by out by the Concerned Customers, SCTA, Staff, and RUCO, the Company has held its CAP allocation for more than eleven years, but has not delivered or put to beneficial use any CAP water, and currently has no final plan for its use.<sup>8</sup> The ADWR, CAWCD, Staff, and most of the parties recognize that the time for Citizens to take action is now - not decades in the future when costs will be higher and alternatives may be restricted or not available. Because Citizens is not utilizing CAP water in the provision of service to its customers, its CAP allocation by definition is not "used" and "useful". Therefore, the costs of Citizens' CAP capital charges should not be borne by the ratepayers. Furthermore, because Citizens has no definite plans to use the CAP water, its proposal to use its CAP allocation is speculative and the use of this water cannot be considered to be a known and measurable event. Therefore, Citizens' request for M&I Capital Charges should be denied.

We will, however, allow Citizens to defer CAP capital costs for future recovery from ratepayers when the CAP allocation has been put to beneficial use for Citizens' ratepayers. This order is subject to a development of a plan and date of implementation by December 31, 2000. If CAP water is not implemented by December 31, 2000, then Citizens will lose its ability to defer future costs.

### III. RATE BASE

In its application, the Company proposed a combined original cost rate base ("OCRB") of \$39,292,652. Staff and RUCO proposed adjustments which resulted in combined OCRBs of \$36,303,808 and \$36,425,397, respectively. The Company, Staff, and RUCO final proposed rate base for Sun City Water was \$14,313,037, \$13,634,041, and \$13,826,395; \$7,514,755, \$7,361,407, and \$7,368,982 for Sun City Sewer; \$6,685,509, \$6,235,619, and \$6,193,564 for Sun City West Water; \$5,370,026, \$5,108,820, and \$4,971,516 for Sun City West Wastewater; \$3,515,693, \$3,305,517, and \$3,408,105 for Agua Fria; and \$661,875, \$658,404, \$656,835 for Tubac Valley.

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<sup>8</sup> As pointed out by the SCTA, the subcontracts have fixed 50 year terms, and with each passing year, the amount of water ultimately deliverable is reduced by 1/50th, thereby reducing the maximum potential benefits deliverable under the subcontracts.

A. AR-13 AFUDC ("AR-13")

The Company is allowed to accrue allowance for funds used during construction ("AFUDC") until plant is completed and placed in service. The Federal Energy Regulatory Commission ("FERC") issued an accounting release in 1983 ("AR-13") dealing specifically with calculation of AFUDC when there are restricted-use long-term debt involved in the capital structure that utilities use for financing.

The Company has issued Industrial Development Revenue Bonds ("IDRBs") which can only be utilized for specific construction projects. The proceeds from the IDRB are required to be held in a construction trust fund until the funds are actually needed to finance the specific project. The Company is able to invest these undrawn trust funds in short term securities and earn interest. The interest income is offset against the interest expense Citizens is incurring on the IDRBs. Citizens applies an AFUDC rate comprised of debt and equity to the unspent proceeds, and the difference between the AFUDC rate and the net investment earnings is capitalized as AR-13 costs and added to rate base.

Citizens asserts that its procedures for recording AFUDC are consistent with AR-13 and comply with generally accepted accounting principles. In addition, Citizens indicated that its procedures comply with Decision No. 55474, dated March 18, 1987. According to Citizens, that Decision required the use of an Arizona property specific AFUDC rate which includes any debt that has been issued for construction at a specific operation, a proportionate share of any general corporate debt, and the Commission authorized rate of return on common equity for the specific operation for any common equity funds used to fund construction expenditures. Citizens indicated that where AR-13 and Decision No. 55474 were in conflict, Citizens would always choose the procedure which resulted in the lowest AFUDC rates.

The Commission determined in Decision No. 58360, dated July 23, 1993, that Citizens' procedures did not comply with AR-13 because the entire undrawn balance of IDRB funds was not included with other long-term debt in the AFUDC calculations. The Commission ordered the Company to comply with AR-13. As a result of that Decision, Citizens indicated its calculation of AR-13 AFUDC was inconsistent with the remainder of Citizens operations in Arizona<sup>9</sup>. Although Staff has conducted

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<sup>9</sup> On May 4, 1994, Citizens filed an application in Docket No. E-1032-94-139 requesting that the Commission review in one proceeding the AR-13 AFUDC procedures applicable to all of the

discovery in that docket, no Staff Report has been issued. The Company requests the Commission direct the Company, Staff, and RUCO to work together and develop a joint recommendation on the correct AFUDC procedures for all of Citizens operations.

If the Commission decides to address the AR-13 AFUDC procedures in this case, Citizens asserted the Commission should approve the methodology used by the Company. According to the Company, neither Staff nor RUCO has taken into account the conflict between Decision No. 55474 and AR-13 procedures.

RUCO concluded that the Company's method of calculating the AFUDC did not follow AR-13 procedures and recommended that the Commission exclude all AR-13 AFUDC capitalized subsequent to 1987. The Company criticizes this recommendation as retroactive ratemaking.

Staff made a similar analysis and recommended an adjustment consistent with the decision in Citizens' Arizona Electric Division ("AED") rate case, Decision No. 59951 (January 3, 1997), to exclude from rate base all AR-13 accrual amounts recorded after 1987, a net reduction in rate base of \$1,333,816. According to Staff, the Company's method of calculating AR-13 costs is not appropriate for use in Arizona ratemaking. Staff believes that Citizens does not follow the method prescribed in FERC AR-13 because it does not include the entire issue of the IDRDB debt along with other debt in calculating its AFUDC rate. The Company assumes that any construction expenditures not financed by the portion of IDRDB anticipated to be drawn down in a given year are financed by common equity. Staff also believes that Citizens' method deprives Arizona ratepayers of any benefit of the undrawn IDRDBs because the financing is diluted when included in Citizens' consolidated total company capital structure and Citizens should not be earning an equity return on plant financed with the Arizona IDRDBs, and also because the IDRDB plant does not qualify for accelerated tax depreciation and this deprives Arizona ratepayers of the higher amount of rate base deductions for ADIT.

Staff further recommended that the Commission order Citizens to:

- Remove the disallowed AR-13 accrual amount from Plant and Accumulated Depreciation on Maricopa W/WW books;
- Cease recording AR-13 accrual amount on Maricopa W/WW's books from the date of this Decision;

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Arizona operations that use IDRDB funding.

- 1 • Remove the AR-13 amounts recorded from the end of the TY through the date of this Decision from Maricopa W/WW's books;
- 2 • Calculate AFUDC only on actual construction expenditures, and not upon unexpended IDR
- 3 • Calculate AFUDC on actual construction expenditures using an AFUDC that is based upon the weighted cost of capital for the Maricopa W/WW that is adopted herein.

4 It is clear that Citizens used a method to calculate AFUDC other than the FERC AR-13 formula  
5 that was approved in Decision No. 55474. Moreover, as Staff has pointed out, FERC AR-13 clearly  
6 states that: "[t]he entire issue of the use-restricted, long-term debt should be included with other long-  
7 term debt used in calculating AFUDC rates."

8 Contrary to this clear directive, Citizens does not include the entire issue of the use-restricted,  
9 long-term debt in calculating its AFUDC rate. Citizens' calculation includes only the portion of the  
10 IDR issue expected to be drawn down during the current year. By excluding the remaining IDR  
11 proceeds being held by the trustee from the AFUDC rate calculation and excluding these proceeds from  
12 the capital structure, Citizens' procedure deprives ratepayers of the benefit of such IDR debt while the  
13 proceeds are being held by the trustee. Citizens' AR-13 accrual calculations have also ignored the  
14 specification in FERC AR-13 addressing other long-term debt. FERC Accounting Release 13 requires  
15 that other long-term debt be included in calculating the AFUDC rate. Citizens' calculation of an AFUDC  
16 rate assumes that the construction not financed by an IDR is financed by common equity and not by  
17 other long-term debt. As a consequence, Citizens' procedure improperly applies a common equity rate  
18 for debt financing.

19 Contrary to Citizens' claims, it is not clear that Citizens' method benefit ratepayers. It is clear that  
20 Citizens' method results in a number of detrimental impacts to ratepayers. The AR-13 accrual produces  
21 additional amounts of rate base, beyond those produced by the traditional application of an AFUDC rate  
22 to actual construction expenditures.

23 In Decision No. 58360, the previous AED rate case, we found that Citizens failed to calculate the  
24 AFUDC rate in accordance with FERC AR-13, and disallowed from rate base Citizens' AR-13 accrual  
25 amounts that the Company had recorded on the AED's books since 1987. The flaws in Citizens' AR-13  
26 calculation that were noted in Decision No. 58360 cited above continue to be applicable in the recent  
27 AED rate case. Specifically, Citizens does not include the entire issue of the use-restricted, long-term  
28

IDRB debt with other debt in calculating its AFUDC rates. Moreover, Citizens does not include the entire issue of the use-restricted, long-term IDRB debt with other debt in calculating its capital structure for ratemaking purposes. These failures by Citizens to include the entire issue of the use-restricted, long-term IDRB debt with other debt in calculating its AFUDC rate and to include the trustee-held IDRB proceeds in the ratemaking capital structure serve to deprive ratepayers of any benefit of the undrawn IDRBs upon which Citizens computes its AR-13 accruals. These facts, especially taken in conjunction with the other inequities associated with Citizens' AR-13 method discussed above, require an adjustment for ratemaking purposes. We affirm our previous decisions to exclude Citizens' post-1987 AR-13 accrual amounts from rate base and adopt RUCO and Staff's recommendations to exclude post-1987 AR-13 accruals from rate base. Plant in Service is reduced by \$1,438,248 and Accumulated Depreciation is reduced by \$104,432 for a net reduction in rate base of \$1,333,816.

We also order Citizens to remove the disallowed AR-13 accrual amounts from Plant and Accumulated Depreciation on the Maricopa W/WW 's books. In Decision No. 59951, the Commission ordered the Hearing Division to issue a Procedural Order regarding the proper AFUDC methodology, and we note that a Procedural Order was issued scheduling the filing of testimony and setting a hearing.

We expect that proceeding to establish the appropriate AFUDC methodology for all of Citizens' Arizona operations. The result of the calculation of AFUDC and AR-13 AFUDC for the Maricopa Water/Wastewater operations that is ultimately approved in Citizens pending consolidated AR-13 AFUDC proceeding, Docket No. E-1032-94-139, et al. will be applied to undrawn IDRB amounts forward from the end of the test year in these proceedings.

B. Youngtown Plant Acquisition

On February 8, 1995, Sun City Water and Sun City Sewer, respectively, purchased the water and wastewater facilities of the Town of Youngtown, Arizona ("Youngtown" or "Town") and are providing service to 3,720 customers within Youngtown's municipal boundaries. Sun City Water and Sun City Sewer acquired the Youngtown systems for a total purchase price of \$1,192,862 which includes an amount of \$259,605 placed into escrow pursuant to the Sales Agreement. Staff reduced plant in service to exclude a water acquisition adjustment, plant balances funded by grants, and non used and useful plant by (\$423,091) for Sun City Water and by (\$426,664) for Sun City Sewer. We agree with Staff's

1 adjustments, with the exception immediately below.

2 1. Escrow Amount

3 In the Sales Agreement, Sun City Water, Sun City Sewer, and Youngtown agreed to place  
4 \$259,605 of the purchase price into an escrow account to reflect Community Development Block Grants  
5 that Youngtown received for construction of the water and wastewater systems. According to Citizens,  
6 the parties agreed to place this amount into escrow because there was a lack of precedent as to whether  
7 plant funded through grants obtained by a prior municipal owner would be recognized in the Company's  
8 rate base. According to the Sales Agreement, if the plant funded by grants is included in rate base, the  
9 \$259,605 will be released from escrow and paid to Youngtown. If the plant is not included in rate base,  
10 the amount in escrow will be returned to Sun City Water and Sun City Sewer. Sun City Water and Sun  
11 City Sewer seek rate base treatment for the entire amount of the purchase price, including the amount  
12 held in escrow, because they believe that it represents Company investment in the facilities.

13 Staff and RUCO oppose inclusion of the escrow amount in rate base. Staff believes that since  
14 these funds were grant money, it was not supplied by Youngtown as the plant owner, and under  
15 traditional ratemaking, only investor-financed plant should be included in rate base. Staff also argues  
16 that Citizens can provide no justification for requiring all of its ratepayers to pay this cost for plant used  
17 to serve only a portion of those customers; that no harm would result to Citizens, because the amount in  
18 escrow would be returned to invest as it sees fit; that the working relationship between Citizens and  
19 Youngtown would not suffer; that Youngtown was represented by counsel during negotiations and it  
20 negotiated the Sales Agreement with the explicit understanding that the escrow amount was at risk and  
21 may not be recovered by Youngtown.

22 We agree with the Company that the amount held in escrow should be included in rate base.  
23 Although generally, only investor-financed plant should be included in rate base, when a municipality  
24 is involved, none of the plant is "investor-financed". The grant funds were intended to benefit the  
25 municipality, and that benefit would be lost if the plant associated with those funds were not allowed into  
26 rate base. If the amount in escrow is not allowed in rate base, then the escrowed funds would not be  
27 released to Youngtown, and Citizens' customers both outside and inside of Youngtown would receive  
28 the benefit of Youngtown's grant. Accordingly, we will allow \$55,902 of the escrow amount in rate base

for Sun City Water and \$203,703 in rate base for Sun City Sewer.

2           2.     Accumulated Depreciation

3           Pursuant to the terms of the Sales Agreement, Sun City Water and Sun City Sewer purchased the  
4 facilities based on Youngtown's financial statements as of June 30, 1993, with the exception of certain  
5 specified items, not including depreciation, subject to a true-up as of the date of closing. Youngtown  
6 continued to depreciate the assets on its books until the time of the transfer, February 8, 1995. In its  
7 application, Citizens did not reflect the ongoing depreciation, and reflected as rate base the depreciated  
8 value of the plant as of June 30, 1993, rather than the end of test year, March 31, 1995.

9           Staff removed depreciated plant for the water system and the sewer system to reflect the ongoing  
10 depreciation that was recorded by Youngtown prior to the transfer, and for the depreciation from the date  
11 of the transfer until the end of the test year.

12           We agree with Staff that rate base should include the depreciated plant value as of the end of test  
13 year. This is not an "imputation" of depreciation as suggested by the Company, but rather, is a reflection  
14 of actual depreciation expense which was recorded on Youngtown's books, and which should have been  
15 recorded on Citizens's books, both at the time of the transfer and on a going forward basis. Accordingly,  
16 we will adjust accumulated depreciation for Sun City Water by \$39,435 and for Sun City Sewer by  
17 \$46,074<sup>10</sup>.

18           3.     Acquisition Adjustment

19           Sun City Water and Sun City Sewer acquired the Youngtown systems for a total purchase price  
20 of \$1,192,862, which is \$52,465<sup>11</sup> above the net book value of the assets. Sun City Water and Sun City  
21 Sewer request that the total \$52,465 acquisition premium be included in rate base and be amortized above  
22 the line. The Company cites two previous Commission Decisions and concludes that the Youngtown  
23 acquisition meets the Commission's criteria for rate recognition of the acquisition premium. The  
24

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25           <sup>10</sup>       This reflects our determination to allow the \$259,605 escrow amount in rate base.

26           <sup>11</sup>       It is not clear whether Staff agrees that this is the correct amount of the acquisition  
27 adjustment. In its reply brief, Staff indicates that it believes that the acquisition adjustment is \$137,643,  
28 but the summary schedules filed thereafter indicate the \$52,465 amount. According to RUCO, the  
acquisition adjustment is \$324,926.

1 Company lists the following as the benefits to the Youngtown customers: a 44 percent reduction in water  
2 and sewer rates; long-term savings through Sun City Sewer's use of the Tolleson Treatment Plant; and  
3 "enhanced customer service features". The Company stated that existing wastewater customers will  
4 benefit by spreading fixed and variable costs over an expanded customer base, and the interconnection  
5 of the systems will improve operating efficiencies and reliability.

6 Staff and RUCO opposed the request for recovery of the acquisition premium. Staff disagreed  
7 that Decision No. 56551 (July 3, 1989) wherein the Commission approved Sun City West Water's  
8 purchase of the Cool Well Water Company ("Cool Well") and allowed inclusion of the acquisition  
9 adjustment in rate base, is support for allowing recovery of the acquisition premium in this case. Staff  
10 noted that Cool Well was a small regulated company that had been operating at a loss for many years and  
11 providing unreliable service and that Staff had recommended an acquisition adjustment be allowed to  
12 encourage consolidation of small water companies into larger ones. Staff believes that these special  
13 circumstances are not present here. Further, Decision No. 56551 only allowed rate base treatment, not  
14 both rate base and amortization, as the Company has requested here.

15 We believe that the benefits cited by the Company support its requested approval of the sale of  
16 assets and extension of its CC&N to provided service to the Youngtown customers, but we do not believe  
17 that they justify charging ratepayers for an acquisition premium. None of the compelling circumstances  
18 of the Cool Well Decision are present here, and we see no reason to encourage public service  
19 corporations to acquire municipal water or sewer operations. Further, Citizens is well aware of the  
20 Commission's past decisions concerning acquisition adjustments, including Decision No. 58664 (June  
21 6, 1994) where the Commission denied rate base treatment for Citizens' Northern Arizona Gas Division  
22 ("NAGD") and cited Decision No. 57647 (December 2, 1991) stating "Citizens must be reminded that  
23 Arizona allows for a return on invested plant, not on the sale price paid for the utility."<sup>12</sup> Further, we  
24 believe that the criteria established for the NAGD to recover an acquisition premium are not applicable  
25 here, when the selling entity is a municipality. Part of the criteria was that Citizens must make a clear  
26 demonstration of structural savings, not including those that could or should have been achieved under

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27  
28 <sup>12</sup> In Citizens' most recent acquisition (Navajo Telephone), an acquisition premium is  
expressly excluded from rates. Decision No. 59306 (September 22, 1995).

the previous ownership. We agree with Staff that because there is no evidence of the relationship between the Youngtown rates previous to Citizens' acquisition and the underlying costs of providing utility service by Youngtown, whether and to what extent such rates could have been reduced in the absence of Citizens' acquisition is speculative at best. Accordingly, we will not include an acquisition adjustment in rate base.

C. Stamford Administrative Office Common Plant

Staff and RUCO proposed adjustments to Stamford Administrative Office ("SAO") plant to remove plant items that are not appropriate for ratemaking. They removed items that the Commission removed in the last gas and electric proceedings involving Citizens (art work and an office provided to a retired executive) and for other SAO furniture, equipment, and what Staff termed "Cadillac DeVille 'pool cars' that appear to reflect the lavish tastes of Citizens' top executives rather than the necessities of providing utility service to Arizona ratepayers." Both Staff and RUCO also used a more current four factor allocator for SAO plant. We agree with Staff and RUCO's adjustments.

D. Plant-In-Service

Staff made a number of adjustments to the original cost and reconstruction cost new ("RCN") data that was submitted by the Company. Staff reduced Sun City Water's rate base by \$88,746 and by \$1,674 to reflect the cost of observation wells that Staff believes are not used and useful. The Company opposed the adjustments. Testimony from the Company's witness, Dr. Montgomery, supported the Company's position that production wells may be useful for operating the pumps and understanding what their pumping levels are, and what well efficiencies might be, but they are not appropriate for use in measuring static water level conditions in the aquifer. Additionally, the use of additional observation wells provides for more data points when analyzing overall aquifer characteristics and improves the overall quality and reliability of the studies. However, Staff maintained that the production wells can be utilized for monitoring water level and water quality of the aquifer. Additionally, observation wells have traditionally been classified as "stand-by" wells and not included in rate base. Therefore, we agree with Staff.

We agree with the Company that the observations wells are used and useful in providing water utility service. Monitoring and understanding the groundwater levels in the aquifer is one component

1 of the Company's duty of ensuring a continued supply of water for its customers. Accordingly, we wi  
2 not adopt Staff's adjustment.

3 E. Cash Working Capital

4 Both Staff and RUCO proposed adjustments to the Company's cash working capital, a number  
5 of which were accepted by the Company, including adjustments to expense lead or lag days with salaries  
6 and wages, pumping power expense, administrative office expense, insurance, injuries and damages  
7 expense, and other taxes. The Company also accepted inclusion of interest expense in the lead lag study  
8 at a 90-day lag and also removed preliminary survey and investigation ("PS&I") charges from the  
9 working capital balance. Staff and RUCO agree that the revenue lag should be reduced by one day to  
10 reflect the Company's new lock box program which will allow customers to pay their bills through the  
11 bank rather than remitting them directly to the Company. Staff and the Company have agreed to certain  
12 increases to expense lags to reflect check clearing lags and have revised the pension lag expense to reflect  
13 an actual contribution made by Citizens to the pension trust. We will adopt those adjustments. RUCO  
14 recommends that, consistent with past Commission decisions, including Decisions Nos. 58360 and  
15 58664; the Commission should exclude \$83,354 in rate case and deferred TARGET: Excellence  
16 expenses from the cash working capital component. We agree with RUCO.

17 Staff and RUCO proposed that cash balances should be removed from the determination of cash  
18 working capital. RUCO notes that these two asset item have never been included in the calculation of  
19 cash working capital in any prior Commission decision. Staff notes that with the exception of only Sun  
20 City Sewer, there is a negative cash working capital requirement and to include a cash balance in the cash  
21 working capital requirement for these companies would grant them a return on cash when they have no  
22 cash requirement. We agree with Staff and RUCO's adjustment to remove cash balances.

23 We note that RUCO believes that the Company's sampling method for determining the lag for  
24 the O&M, administrative and general expense category analyzed too few invoices and does not capture  
25 the various types of expenses contained in the category. While we will not adopt RUCO's adjustment  
26 in this proceeding, we expect the Company to address the issues raised by RUCO in its next lead/lag  
27 study.  
28

F. Sun City West Developer Advances

RUCO proposed and Citizens agreed to an increase in the amount of Sun City West developer advances by \$58,650 for water and \$121,657 for wastewater, with a corresponding decrease in rate base. We concur.

G. Accumulated Deferred Income Taxes

Staff proposed to adjust Accumulated Deferred Income Taxes ("ADIT") by a total of \$202,435 of "Schedule M" items which presents a reconciliation between book income and taxable income. Staff's adjustment was to exclude unbilled revenue and nondeductible employee benefits that are disallowed for ratemaking purposes. Staff believes that unbilled revenue should be excluded from ADIT because it represents an unnecessary tax timing expense. We agree with Staff that this is an artificially created ADIT debit balance rate base increase and therefore will adopt Staff's adjustment. Further, we agree with Staff that since pension expense has been adjusted to reflect coordination of the timing of pension fund payments and the recognition of pension expense for ratemaking purposes, there is no need to increase rate base associated with accrued but unfunded pension expense. Likewise, in Decision No. 59951, we disallowed Citizens' incentive compensation and FAS 106 accrual and we will make the same adjustment here.

In this proceeding, the Company is requesting to convert its deferred income taxes on the differences between accelerated tax depreciation and straight-line tax depreciation to a fully normalized basis. While RUCO does not take exception to the move to full normalization, it recommends that it be implemented on a going-forward basis. Since full normalization accounting was not in effect during the test year and the per book deferred taxes as of the end of the TY were not reduced and will not be reduced until the Commission approves full normalization account, RUCO believes that the Company's requested adjustments are inappropriate for ratemaking purposes. The Company criticized RUCO's proposal because it does not provide recovery of the flow-through amounts as an increase in income tax expense. The Company believes that its method of using full normalization as of the TY to determine the ADIT balance is appropriate and if RUCO's adjustment is adopted, the Company will experience a shortfall in recovery of its tax liability.

We agree with Staff and will adopt its recommended adjustments.

H. Staff Recommendations

The Engineering Staff made some additional recommendations, including:

- Citizens should be ordered to maintain detailed information about the plant by individual system and such information should be readily available and provided in the annual report;
- Citizens should be ordered to maintain flow meters in order to obtain and provide accurate flow data by system and such information should be readily available and provided in the annual report;
- Citizens should be ordered to file applications to extend its CC&N to encompass all areas where customers are being served;
- Sun City West Water should conduct a detailed analysis to determine whether the Cool Well system needs more storage; and
- Tubac Valley should be ordered to meet with the Arizona Department of Environmental Quality ("ADEQ") and resolve any non-compliances, and should also investigate ways to cost effectively reduce the system's water loss.

We concur with these recommendations.

**IV. ORIGINAL COST RATE BASE SUMMARY**

Based on the foregoing, the adjusted TY original cost rate base ("OCRB") for ratemaking purposes for Sun City Water is \$13,675,576; for Sun City Sewer is \$7,515,406; for Sun City West Water is \$6,235,619; for Sun City West Wastewater is \$5,108,820; for Agua Fria is \$3,305,517; and for Tubac is \$657,068. Exhibit A attached details the adjustments made to rate base for each operating division.

**V. RECONSTRUCTION COST NEW RATE BASE**

In Schedule A-1 of the application, Citizens presents a jurisdictional reconstruction cost new rate base ("RCNRB") of \$75,320,693. All of the adjustments reflected in our determination of the OCRB are equally applicable to the RCNRB. With the changes in these adjustments necessary to restate them in terms of reconstruction cost new, the RCNRB for Sun City Water is \$31,533,666; for Sun City Sewer is \$17,701,732; for Sun City West Water is \$7,591,825; for Sun City West Wastewater is \$6,742,689; for Agua Fria is \$3,998,637; and for Tubac is \$1,097,065.

**VI. FAIR VALUE RATE BASE**

The Commission has traditionally determined the "fair value" rate base ("FVRB") by taking the average of OCRB and RCNRB. No party has suggested different weighting be used in this proceeding. Consequently, we will find that the adjusted FVRB at March 31, 1995 for Sun City Water is

\$22,604,621; for Sun City Sewer is \$12,608,569; for Sun City West Water is \$6,913,722; for Sun City West Wastewater is \$5,925,755; for Agua Fria is \$3,652,077; and for Tubac is \$877,067.

## VII. OPERATING INCOME

### A. Gross Annual Revenues

The Company had actual combined revenues during the TY of \$16,836,617 from which pro forma adjustments were made, reducing it to \$16,702,301. The parties agreed on several adjustments, including customer growth annualization of revenues and associated expenses, water conservation surcharge revenues and amortized deferred expenses, and updated Youngtown revenues and expenses. Staff recommended that the groundwater withdrawal fees be removed from base rates and be recovered as a through a pass-through mechanism, similar to how sales tax and the Commission's regulatory assessment are recovered as a surcharge. We agree with Staff and will remove actual TY revenues and expenses associated with the groundwater withdrawal fees. Accordingly, the adjusted TY revenues for Sun City Water are \$5,731,330; for Sun City Sewer are \$4,566,689; for Sun City West Water are \$2,898,832; for Sun City West Wastewater are \$2,203,793; for Agua Fria \$1,106,294; and for Tubac Valley \$177,442.

### B. Annual Operating Expenses

Based on its application, the Company had actual TY operating expenses of \$14,491,592 which it adjusted by (\$122,107) to \$14,369,485. RUCO and Staff recommended numerous adjustments to Citizen's proposed operating expenses. For the reasons set forth hereinafter, we find that for ratemaking purposes the TY operating expenses for Sun City Water were \$4,369,060; for Sun City Sewer were \$4,003,838; for Sun City West Water were \$2,232,815; for Sun City West Wastewater were \$2,224,372; for Agua Fria were \$849,443; and for Tubac Valley were \$137,632.

The Company, Staff and RUCO have agreed upon the following adjustments: donations expense, life insurance expense for split-dollar life insurance and Company-owned life insurance, rate case expense for past proceedings, shareholders' 60th year memory book expense, and supplemental pension expense of \$20,187 of Dr. Tow should be removed; income tax expense and the gross revenue conversion factor should be revised to reflect an effective state income tax rate of 8.257 percent; lockbox program expenses should be updated; purchased power costs for the water operations should be updated and annualized; structure cleaning expense should be updated; and tank painting and water testing expense

should be adjusted.

1. Adjustments "Agreed" to by Citizens

In its rebuttal testimony, the Company agreed to remove certain costs and expenses from the revenue requirement determination in this proceeding. Citizens agreed to remove: a portion of Dr. Tow's compensation, including director fees; directors' and officers' liability insurance expense; Incentive Deferred Compensation Program ("IDCP") expense; TARGET: Excellence expenses; the accrual costs of post-retirement benefits other than pension under Financial Accounting Standard No. 106; and Stamford Administrative Office costs and expenses related to office space for the previous president; certain furnishings and artwork, the Food Services Coordinator, and rent for the vacated 1200 High Ridge Road office. Citizens says that this proposal is "conditioned on corresponding treatment of other parties' issues," and "should the other parties decline to follow precedent, or should the Commission decide to depart from prior decisions, then Citizens will no longer agree to remove the costs and expenses . . . ."

a. Administrative Office Expenses

Citizens' corporate headquarters are located in Stamford, Connecticut and the corporate costs are charged to operating properties through a combination of direct charges and cost allocations. The "allocable" SAO corporate charges are charged out to operating properties using a four factor allocation. The four factors used to determine this allocation are: plant in service; O&M expenses; number of customers; and payroll charged to O&M. In this filing, the Company used a four factor SAO cost allocation totaling 3.46 percent for the six utility systems. Staff adjusted SAO expenses using a more current four factor allocator. Staff also recommended the disallowance of specific SAO costs including: corporate expenses including rental expense for a vacant office building; abnormally high SAO temporary services expenses and outside consulting fees for computer projects; discontinued warranty maintenance service; executive chef salary; maintenance of Cadillac DeVille automobiles; Dr. Tow's 1994 expense allowance and personal expenses, supplemental pension, directors' fees and compensation in excess of \$500,000; directors' travel and legal expenses; video expenses; and "corporate other" expenses, including wellness and company sports, executive physicals, and community relations and contributions. Total expense is reduced by approximately \$194,000 for the Maricopa W/WW operation. Staff recommended an adjustment to the Company's Phoenix Administrative Office ("PAO") expense

because the use of either actual 1994 or budget 1995 PAO data has substantially overstated the actual PAO expense that occurred in 1995. Staff proposed adjusting PAO expense by \$12,292. In rebuttal, the Company adjusted the PAO expense to reflect nine months of the PAO's annualized actual expense for 1994 and three months of its annualized actual expense for 1995.

Staff's adjustments to SAO and PAO expense are identical in theory and method to the Staff adjustments that were accepted by the Commission in Decision No. 59951 (January 3, 1997), and we will adopt them here for the same reasons we enunciated therein.

b. TARGET: Excellence Expense

The Company initiated a corporate level training program in 1993 entitled TARGET: Excellence ("Program"). The purpose of the Program was to improve customer service, productivity, and employee satisfaction. The customers, employees, and shareholders will benefit from the results that should occur as a result of the Program. Citizens is requesting that \$206,682 of deferred TARGET: Excellence costs be recovered over two years. These costs include costs incurred during the introduction of the Program and consist of initial training expenses, consultant fees, production costs for manuals, out-of-pocket costs for training sessions, and customer survey expense. Citizens also seeks an annual allowance for on-going TARGET: Excellence training.

Both RUCO and Staff disallowed a portion of the Program costs. RUCO points out that the Company never requested, nor received an accounting order from the Commission which would have allowed the Company to defer these costs and argues that allowing past TARGET: Excellence costs to be recovered in this case would constitute retroactive ratemaking. RUCO removed all the deferred costs and one-half of the 1994 costs which were included in the TY. Staff concurs with RUCO's arguments, and also points out that according to the Company's general ledgers, Citizens was already amortizing deferred TARGET: Excellence costs in 1994 and those costs were included in TY expenses. Staff further points out that the SAO direct charges to each operating property included amounts for TARGET: Excellence costs. Therefore, TY expenses for Maricopa W/WW operations also included charges from SAO for TARGET:Excellence. Staff does not believe that Maricopa W/WW has been able to demonstrate any cost savings related to TARGET:Excellence, but believes that the Program has produced or could produce improvements in operations and other efficiencies that would benefit both ratepayers

and shareholders. Therefore, Staff recommended that fifty percent of the current period expense incurred directly from Maricopa W/WW operations be recovered through rates. Staff's adjustment also removed the Company's proforma adjustment for the amortization of deferred TARGET: Excellence costs, the amortization expenses recorded by each utility during the TY, and TARGET: Excellence charges from SAO.

Based on previous Commission decisions, including Decision No. 59951 (January 3, 1997), we will allow one-half of the deferred amount to be amortized over two years, and will allow one-half of the TY expenses, as determined by Staff, to be recovered in rates.

c. Incentive Deferred Compensation Program Expense

The Company included in its application a request for \$84,781 of TY expense related to its Incentive Deferred Compensation Program ("IDCP"). The Company describes the program as an at-risk incentive compensation plan, not as a bonus arrangement.

RUCO recommended that the entire \$84,781 amount be disallowed because the Company's methodology for determining the performance factors under its IDCP is vague and obscure; because contrary to the Company's position that IDCP is designed to shift a portion of base pay compensation into variable pay, RUCO could find no indication that it has reduced increases to base pay or to overall salaries and wages; and because the Company has made no direct showing that the IDCP provides a direct and primary benefit to the ratepayer.

Staff reached the same conclusion as RUCO and also recommended disallowance of the IDCP. Staff believes that the employees participating in the program receive generous awards for achievement of rather ordinary goals that would tend to fall within the normal job responsibility of each employee. Staff believes that IDCP is a bonus that serves to increase employees' pay beyond a "normal" pay level and that shareholders should be responsible for such incentive payments.

We concur with Staff and RUCO. Consistent with Decision No. 58664, and Decision No. 59951, we will deny the IDCP.

d. Post-Retirement Benefits Other Than Pensions

The Company provides post-retirement benefits other than pension ("PBOPs") to employees the form of medical and life insurance coverage. The Company is requesting the Commission approve

the Company's proposed accrual method of accounting for PBOPs and recognize the associated PBOP cost for the Maricopa W/WW operations. Under this method, the cost of the benefit for current employees will be expenses on the Company's books in accordance with the requirements of the Financial Accounting Standards Board Statement No. 106 ("FAS-106"). Citizens acknowledges that past Commission Decisions have required PBOPs be accounted for under the pay-as-you-go method for ratemaking purposes. The Company has established the necessary funding mechanism and has submitted evidence to show that the use of the accrual method of accounting for PBOPs in the ratemaking process will produce benefits for the Company and its Arizona customers.

Both Staff and RUCO recommended adjustments to eliminate the accrual based PBOP expense and reflect the PBOP expense on a pay-as-you-go basis. RUCO argues that the Company has not demonstrated that on a present value basis pre-funding of PBOP costs under the rate recognition of accrual based expense is in the ratepayers best economic interest; the Company's quantification of PBOP accrual is based upon assumptions which are uncertain and speculative; the FAS Statement 106 does not dictate regulatory policy; the accrual method required by FAS-106 is not appropriate for ratemaking purposes; and finally, the recognition of the amortization of the "transition obligation" results in an intergenerational inequity for ratepayers. Staff agrees with this arguments and notes that the Commission's continuation of the pay-as-you-go method for ratemaking purposes was upheld by the Arizona Court of Appeals.

Based on the evidence of this case, we will approve the accrual method of accounting for PBOPs. This determination is solely for this Company and other determinations will be made on a case by case basis. The Company will need to meet the following conditions in future rate cases for continued approval of the accrual methodology for PBOPs:

- the PBOP expense allowance must meet the conditions of being both reasonable and prudent as determined by the Commission;
- the Company must compute PBOP expense in accordance with Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS 106);
- the Company must use reasonable, unbiased, and supportable actuarial assumptions as a basis for its calculation of PBOP expense;
- the Company must fund PBOP expense no less frequently than quarterly, and the

amount of each payment must represent a ratable portion of the annual PBOP expense;

- funding deposits must be made in cash to an irrevocable, independently managed external Trust;
- to the extent allowed by law, the Company must maintain a tax deductible status for PBOP expense and a tax exempt status for earnings of the Trust;
- investments made by the Trustee of the Trust must be compatible with meeting PBOP obligations as they come due;
- any accumulated excess of accrual-based over cash-based revenues intended to cover PBOP expenses is subject to refund, to the extent PBOP assets cannot be used for PBOP expenses or have been used for unauthorized, non-PBOP purposes;
- disbursements from the trust fund should be limited to payments for the benefits of retirees in accordance with the Company's benefit plans, administrative costs of the Trust and other purposes as authorized by the Commission; and
- upon termination of the Trust and satisfaction of all PBOP obligations any residual funds are to be utilized only as approved by the Commission.

## 2. Depreciation

### a. Depreciation Rates

Depreciation accounting represents an allocation process by which the consumption of physical assets is recognized in the utility's financial statements. Depreciation expense provides for recovery of invested capital, adjusted for net salvage to be incurred at the time facilities are removed or abandoned. The capital should be recovered from those customers receiving service from the facilities over the expected life of the facilities, consistent with the accounting principle of matching.

The Company conducted depreciation studies and recommended revised depreciation rates. Mr. Mason performed a life analysis using Simulated Plant Records ("SPR") and a life estimation analysis. Mr. Mason employed life analysis and life estimation using statistical life analyses, age distribution simulations, plant histories, transaction summaries, and computed mortality distributions. The Company's proposed depreciation rates are based upon a set of depreciation parameters consisting of service lives, retirement patterns, and future net salvage values. The parameters are actually estimates based upon the above factors, as well as professional judgment.

Staff performed six independent SPR analyses and retirement forecast analyses to test the reasonableness of the Company's proposal. Using the annual historical gross additions for each account

the Company studied, combined with the retirement ratios implicit in the Company's proposed average service lives and dispersion patterns, Staff determined the retirement forecasts implicit in the Company's proposals. Staff compared the actual retirements, by account, for the five years 1990 to 1994 and compared these to the retirement patterns implicit in the Company's depreciation study. The retirements reflected in the Company's proposal are six times the retirements actually experienced in the last five years. Staff believes that this difference is driving the overall increase in the Company's proposed depreciation expense. Staff also tested the reasonableness of the Company's proposal by examining the net salvage factors used by the Company. Staff compared the annual depreciation expense using the Company's net salvage factors against the Company's actual experience for the years 1990 through 1994, and found that the annual depreciation expense was nearly ten times the Company's average annual experience for those five years. Staff criticized the Company's witness for his failure to explain his recommendation, i.e., how and why he exercised his professional judgment in his depreciation studies.

In addition, Staff pointed out that the Company stated that there are no accounting, operational and maintenance policy and practice changes since the last study which influenced in any way changes in service life and survivor curves. Further, the Company did not identify any projects, plans, or programs which would tend to increase or decrease its depreciation rates. Staff also disagreed with some, but not all of the depreciation rates for specific accounts. Staff did not oppose the Company's request to use the composite rate approach to calculate depreciation expenses on the Youngtown plant acquisition, Staff recommended that in the future, the Youngtown plant either be studied separately or included in the Sun City studies. RUCO proposed that the actual depreciation expense recorded on the Company's books for the period ended June 30, 1994 should be used to determine proforma Youngtown depreciation expense of \$75,415, a reduction of \$21,060 to the TY cost of service.

The Company criticized Staff's recommended depreciation rates because it believes that Staff's witness did not consider non-statistical factors, did not perform his statistical analyses consistent with the NARUC manual, did not attempt to clarify his understanding of Maricopa W/WW's data responses, and because the proposed depreciation rates fall below rates for other Arizona water and wastewater operations.

The following are the currently authorized, Company proposed, and Staff proposed composite

depreciation rates:

	<u>Currently Authorized</u>	<u>Company Proposed</u>	<u>Staff Proposed</u>
Sun City Water	2.58%	3.67%	2.68%
Sun City Sewer	2.34%	2.72%	1.85%
Sun City West Water	2.33%	3.02%	2.70%
Sun City West Wastewater	3.55%	3.65%	2.22%
Agua Fria	2.24%	2.64%	2.55%
Tubac Valley	2.42%	2.61%	2.81%

We find that the both the Company and Staff have failed to establish that the currently authorized depreciation rates should be changed. Although the Company conducted depreciation studies, it was unable to explain how the retirement patterns reflected in the Company's study and resulting depreciation rates are reasonable when compared with the actual retirements experienced by the Company. Likewise, Staff has not shown that the rates it proposes address the geographical characteristics associated with the Company's service area. Accordingly, we will not adjust the depreciation rates.

b. Amortization of Sun City Wastewater Treatment Plant

In Decision No. 53166 and Decision No. 55488, the Commission found that a portion of Sun City West Wastewater's treatment plant represented excess capacity, and disallowed that portion from plant. The parties agree that the treatment plant is currently being fully used to provide service. The Company proposed to amortize the unrecovered depreciation expense associated with the portion disallowed as excess capacity, over twenty years. Staff and RUCO disagreed with the Company's adjustment, believing that such an adjustment would be contrary to the Commission's prior orders and would result in retroactive ratemaking. We agree with the Company. The plant which we previously determined was excess capacity has not been depreciated on the Company's books. Return of the prudently incurred investment should be allowed now that it is no longer excess capacity. We will accept the Company's proposed adjustment of \$2,346,569, amortized over 24 years at an annual rate of \$96,880.

3. Employee Benefits Expense

RUCO was critical of the Company's proposed expenses associated with pensions, group medical, group life, and 401 K benefit plans ("employee benefits") and proposed a reduction to reflect the 1995 actual levels versus the Company's 1995 budgeted amount.

In response, the Company revised employee benefits downward by \$27,364 to correct an

overstatement of medical expenses and to substitute actual data for budgeted data used in the last three months of the TY. Staff agreed with this correction, and RUCO continued to argue that its methodology was superior. We concur with the Company and Staff.

4. Insurance Expense

In its application, the Company included TY Insurance expense based upon nine months of actual 1994 costs and three months of budgeted 1995 expense. RUCO annualized the premiums at the end of the TY and recommended an increase of \$9,947. Staff proposed an adjustment to exclude 50 percent of the directors' and officers' ("D&O") liability insurance. The Company acknowledged that the Commission had excluded 50 percent of D&O liability insurance in Decision No. 58664 for its Arizona Gas Division, but asked the Commission to reconsider that decision. In Decision No. 59951 (January 3, 1997), we did reconsider and did not accept Staff's adjustment. Accordingly, we will not accept that adjustment here, but we will accept RUCO's recommendation and increase insurance expense by \$9,947.

5. Injuries and Damages Insurance Expense

In its application, the Company included TY injuries and damages expense based upon nine months of actual 1994 costs and three months of budgeted 1995 expense. Subsequently, the Company corrected an error and substituted the actual data for the budgeted data used for the last three months of the TY.

RUCO annualized the premiums at the end of the TY and recommended a \$56,620 reduction. Staff made a similar adjustment resulting in a reduction of \$80,535. In response, the Company asserted that Staff and RUCO's adjustments violate the integrity of the TY.

We concur with RUCO. We find that the use of the end of TY amount is known and measurable. Accordingly, we will reduce TY expenses by \$56,620.

6. Power Costs

Staff made an adjustment to the Company's purchased power costs to reflect Arizona Public Service Company's electric rate decrease. The Company accepted Staff's adjustment. We agree with the Company's adjustment to the power costs for the wastewater companies.

7. Payroll and Payroll Tax Expense Issues

The Company proposed to include payroll expense for five employees hired after the end of the

1 TY. Staff and RUCO opposed this adjustment, stating that the Company only included revenues from  
2 growth that occurred during the TY, and since these employees were hired well after the end of the TY,  
3 there would be a substantial mismatch of revenues and expenses. We agree with Staff and RUCO.

4 8. Rate Case Expense

5 In its original application, the Company included expense for amortization of prior rate case costs.  
6 The Company agreed with Staff that the amortization periods will expire before the rates in this  
7 proceeding go into effect, and therefore removed these prior rate case expenses.

8 In its direct testimony, the Company estimated rate case expenses of \$366,231, which it  
9 subsequently updated to a "cap" of \$750,000. Both Staff and RUCO objected to the Company's  
10 requested rate case expense. Staff recommends that the Company not recover any rate case expense over  
11 the amount it initially requested, and recommended a total rate case expense of \$56,000 amortized over  
12 three years. RUCO made a similar recommendation, limiting rate case expenses to \$300,000, amortized  
13 over five years. Both Staff and RUCO cite the Company's inaccurately prepared rate filing and its own  
14 contribution to the unnecessary increased costs by its failure to comply with Procedural Orders and  
15 provide timely and responsive answers to discovery. In response, the Company cites the fact that the  
16 Joint Application included six rate cases; the very large number of intervenors and data requests; the CAP  
17 water issue which required the retention of water resource experts; and the Company's retention of  
18 consultants in the area of rate design and price elasticity. The Company believes that rate case expense  
19 should be amortized over three years; RUCO presented testimony that five years would represent a more  
20 reasonable amortization period, given the past timing history of the Company's rate cases. We find that  
21 the Company's initial estimation of its rate case expense is most indicative of what the rate case expenses  
22 should have been, had the Company not conducted its discovery in the manner which it did. This  
23 estimation would have considered the CAP water and price elasticity issues and would have recognized  
24 the potential number of interested parties. Accordingly, we will allow \$366,231 in rate case expenses,  
25 amortized over four years, for an annual combined rate case expense of \$91,558.

6 9. Property Tax Expense

7 Staff and the Company agree that, given the property tax rates recently enacted by the Arizona  
8 Legislature, the appropriate tax expense to use should be the 1996 actual expense. The Company

provided documentation to Staff that the 1996 property taxes were \$841,680 and we will allow that amount for property tax expense.

10. Income Tax Expense

The Company utilized the actual 35 percent income tax rate applicable to Citizens' consolidated federal income tax return. Staff and RUCO recommended that federal income tax be calculated for each Maricopa W/WW utility to reflect the correct tax rate for each utility on a separate return basis. We concur with Staff and RUCO.

11. Conservation Program Cost

Staff recommended that TY conservation expense for Sun City Water be reduced by \$148,827. The Company failed to file a required March 1, 1996 report detailing the Company's conservation expense and the Company's witness testified that there is no significant benefit to the current conservation education program. Instead, Staff is proposing a \$40,000 allowance for conservation education for the Northwest Valley water customers and recommends that Citizens be required to file a plan with Staff and RUCO for Staff's approval within 120 days of this Decision, and that Citizens be required to file a report with Staff and RUCO on an annual basis to account for the expenditures made for conservation education. We agree with Staff's recommendations.

12. Groundwater Withdrawal Fees

As discussed in the rate base section above, we have accepted Staff's recommendation to exclude the expenses and revenues associated with groundwater withdrawal fees, and instead will allow the recovery of such fees through a pass-through surcharge mechanism.

13. Investment Tax Credit Amortization

Staff adjusted the income tax expense so the annual amount of investment tax credit amortization reflected for rate making purposes is appropriately coordinated with Staff's recommended depreciation rates. Since we are not changing the depreciation rates, the ITC amounts reflected in the original filing should be used.

14. Water Testing Expenses

The only remaining issue concerning water testing expenses is Staff's recommendation to disallow the Company's amortization of initial compliance testing costs. We agree with Staff that the

1 initial monitoring of the water systems was mostly completed prior to the TY, and accordingly, we wi  
2 accept Staff's adjustment.

3 15. Sun City Sewer Surcharge Revenues and Expenses

4 Consistent with the discussion below in rate design, we have agreed with Staff's recommendation  
5 to eliminate the Sun City sewage treatment surcharge on a going forward basis and to include the costs  
6 as a normal operating expense to be recovered in base rates.

7 16. Price Elasticity Adjustment

8 Consistent with our discussion in the rate design section below, we have not accepted the  
9 Company's price elasticity adjustment. Accordingly, we will not adopt the Company's adjustments to  
10 reduce TY expenses for the impact of price elasticity inherent in Citizens' proposed rate design.

11 17. Industrial Wastewater Pretreatment Program

12 The Company is requesting rate recognition of the expenses of its Industrial Wastewater  
13 Pretreatment Program ("Pretreatment Program"). The Pretreatment Program is an inspection, monitoring,  
14 and compliance program intended to prevent the high concentration of certain pollutants, not normal  
15 associated with domestic water, from entering the sewage collection systems. The federal Clean Water  
16 Act requires the owners of publicly owned treatment works to implement pretreatment programs. The  
17 Company intends to implement the program for both Sun City Sewer and Sun City West Wastewater,  
18 at a total projected cost of approximately \$110,000 per year. RUCO recommended that the costs not be  
19 allowed because they are not known and measurable, and did not occur in the TY. In response, the  
20 Company agreed to include the estimated revenues associated with the Pretreatment Program. We agree  
21 with the Company that both the expenses and revenues should be included. As discussed by RUCO, the  
22 program is aimed primarily at non-residential customers, and this will be a factor addressed in the rate  
23 design. We also agree with Staff's recommendation to approve Citizens' proposed tariffs and to require  
24 the Company to track actual revenues and expenses associated with the program and include such  
25 information in its next rate filing. Further, the Company shall provide Staff with the requested  
26 information about commercial customers wastewater flow in relation to their water usage within fifteen  
27 months.  
28

18. CAP Water Costs

Consistent with our discussion of CAP water, above, we will remove the Company's proforma adjustments for CAP M&I charges.

C. Statement of Net Operating Income

Based on the foregoing, the adjusted test year operating expenses for ratemaking purposes for Sun City Water is \$4,369,060; for Sun City Sewer is \$4,003,838; for Sun City West Water is \$2,232,815; for Sun City West Wastewater is \$2,224,372; for Agua Fria is \$849,443; and for Tubac Valley is \$137,632.

Based on the foregoing, the adjusted test year net operating income for ratemaking purposes for Sun City Water is \$1,362,270; for Sun City Sewer is \$562,851; for Sun City West Water is \$666,017; for Sun City West Wastewater is (\$20,579); for Agua Fria is \$256,851; and for Tubac Valley is \$39,810.

VIII. RATE OF RETURN

Witnesses from Staff, RUCO, and Citizens presented cost of capital analyses to be considered as evidence by the Commission in determining a fair value rate of return for purposes of these proceedings. Applicant's witness, Mr. Duda, found the cost of capital to be 9.35 percent. Staff witness, Mr. Cassidy, concluded that 8.51 percent is a reasonable rate of return for Citizens. RUCO witness, Mr. Hill, presented testimony supporting 8.639 percent rate of return.

A. Capital Structure

Citizens' actual, consolidated capital structure at March 31, 1995 and the configurations recommended by the parties are as follows:

	<u>3/31/95</u>	<u>Staff (12-31-95)</u>	<u>RUCO(3-31-96)</u>	<u>Citizens (6/30/96)</u>
<u>Long-Term Debt</u>	40.80%	40.62%	40.142%	43.0%
<u>Preferred Stock</u>	0.00%	5.99%	6.748%	6.0%
<u>Common Equity</u>	59.20%	53.39%	53.11%	51.0%

All parties agree that the actual consolidated capital structure should be used to determine the appropriate rate of return. We will use the Company's June 30, 1996 capital structure as it is the most current actual consolidated capital structure.

1 B. Cost of Debt

2 The proposed embedded cost of long-term debt by Citizens, Staff, and RUCO were 7.11 percent,  
3 7.28 percent, and 7.28 percent, respectively. Staff used the average cost of debt as of December 31, 1995,  
4 and RUCO and Citizens used the cost as of June 30, 1996. RUCO and Citizens' cost rates are based upon  
5 the most recent data, and therefore we will adopt their long-term debt rate of 7.11 percent.

6 C. Cost of Preferred Stock

7 In January 1996, the Company issued \$201,250,000 in convertible subordinated  
8 debentures/preferred stock. The proposed preferred stock cost by the Company, Staff, and RUCO were  
9 5.15 percent, 5.0 percent and 5.15 percent, respectively. Staff did not include issuance costs in the  
10 calculation of the allowed return on preferred stock because Staff believes that preferred stock is more  
11 like equity than like debt in regard to its duration, and should be handled in the same manner as the issue  
12 of flotation costs in the cost of equity determination. We agree that the preferred stock/convertible debt  
13 appears to be a hybrid, with some characteristics of debt, and some characteristics of equity.  
14 Accordingly, we will allow one-half of the issuance costs to be included in determining the appropriate  
15 rate. Therefore, the cost of preferred stock is 5.075 percent.

16 D. Cost of Common Equity

17 The Company recommended a cost of equity of 11.75 percent, Staff recommended a cost of  
18 9.834 percent, and RUCO recommended a cost of equity of 10.0 percent.

19 Citizens' recommended cost of equity resulted from consideration of Discounted Cash Flow  
20 ("DCF") model and Capital Asset Pricing Model ("CAPM") and a risk premium analysis. The  
21 Company's witness, Mr. Duda, performed the three different analytical methods because he believes that  
22 a combination of methods will compensate for phases in the economic cycle that may disproportionately  
23 affect one model, for flaws inherent in each model, and for the subjectivity of model inputs. The results  
24 were 11.75 percent, 11.94 percent, and 11.55 percent, respectively. The CAPM measures the rate of  
25 return on a risk-free investment, plus the risk premium the investor requires for investing in a riskier  
26 investment. Mr. Duda's risk premium analysis included deriving an average monthly risk premium for  
27 the six publicly traded water companies ("proxy group") whose results are followed in Value Line and  
28 added the current expected long-term treasury bond yield, as well as a flotation cost and risk adjustment.

1 Mr. Duda's DCF analysis used as his expected growth rate the average forecasted growth rates published  
2 by Value Line for his proxy group of companies. Mr. Duda applied a flotation cost adjustment to his  
3 DCF base cost of equity to calculate his DCF cost of equity of 11.75 percent, including his risk  
4 adjustment. The risk adjustment Mr. Duda included was 50 basis points, to reflect what he believes is  
5 the greater business risks faced by small companies. To derive his 11.75 percent cost of equity, Mr. Duda  
6 averaged the results of the CAPM, risk premium, and DCF analyses. The recommended cost of equity  
7 includes a flotation cost adjustment, and a risk adjustment.

8 Staff's cost of equity recommendation is based upon a DCF analysis and is supported by a CAPM  
9 and comparable earnings analysis. Staff's DCF model used a dividend growth rate derived from  
10 averaging Value Line's five year forecasted dividend growth rate with the average expected return based  
11 on ten year dividend growth rates, resulting in a cost of equity of 9.834 percent. Mr. Cassidy also  
12 performed CAPM and comparable earnings analyses which corroborated the DCF results. The CAPM  
13 results ranged from 10.2 percent to 11.3 percent, and the comparable earnings results included returns  
14 on common equity for Arizona water companies during 1993 and 1994 ranging from 7.0 percent to 8.8  
15 percent, and ranges of 10.4 percent to 11.4 percent for comparable water companies listed by Edward D.  
16 Jones.

17 RUCO's witness, Mr. Hill, performed a DCF model analysis using the market data from the  
18 sample of water/wastewater utility companies used by the Company. He also performed a modified  
19 earnings price ratio ("EPR") analysis, a market-to-book ("MTB") analysis, and a CAPM analysis. The  
20 DCF analysis resulted in a 10.17 percent cost of common equity; the EPR resulted in a range of 8.93 to  
21 9.97 percent; the MTB resulted in a range of 10.10 to 10.55 percent; and the CAPM resulted in a range  
22 of 8.96 to 10.09 percent. Mr. Hill testified that his best estimate of the cost of equity capital for a water  
23 utility which faces similar risks to the companies analyzed falls in the range of 10.00 to 10.50 percent.  
24 He chose the mid-point of the range, 10.25 percent as a market-based equity cost, and adjusted it to 10.00  
25 percent to account for Citizens' lower financial risk.

26 The Company criticized Staff for its reliance solely on the DCF results, and RUCO's DCF  
27 growth rate and dividend yield calculation as being too subjective and arbitrary. It disagreed with Mr.  
28 Hill's use of a short-term, instead of a longer term Treasury bill as was used by Mr. Duda and his

1 averaging the geometric and arithmetic means to derive his market risk premium. The Company  
2 recommended that the Commission reject the EPR and MTB because they are outside the mainstream  
3 of financial economic thought and unrepresentative of how major investors actually determine their  
4 required market return on equity.

5 The Company criticized Staff for not making an adjustment for what it believes is the  
6 substantially greater business risks that the Maricopa W/WW faces. The Company cites Mr. Duda's  
7 earnings before taxes ("EBIT") calculation showing that even using EBIT divided by rate base, Maricopa  
8 W/WW operations demonstrated significantly greater operating risk than either Staff or RUCO's proxy  
9 companies. The Company also faulted both Staff and RUCO for not including adjustments for flotation  
10 costs and quarterly dividends.

11 Staff characterized the Company's requested 11.75 percent return on equity as being a "bloated  
12 number containing arbitrary and inappropriate costs which ratepayers should not be required to bear."  
13 The most significant cost is Mr. Duda's 50 basis point adjustment to compensate for what he terms the  
14 "additional risk that is inherent in small water and wastewater companies." Staff believes that such a  
15 add-on is unsupported and arbitrary. Staff pointed out that the six individual operating systems  
16 comprising the Maricopa W/WW division are, "on average, one of the largest, if not the largest, water  
17 and wastewater utilities regulated by this Commission." Staff argued that its comparable earnings  
18 analysis takes into consideration that Citizens' water and wastewater properties are not as large as the  
19 water companies reported on the Edward D. Jones by using a comparison group of other Arizona  
20 water/wastewater companies who had average returns on equity ranging from 7.0 to 8.8 percent during  
21 1993 and 1994. Further, Staff explained that the difference in variability in the return measured by the  
22 Company is due to the fact that Citizens experienced a faster growth in rate base compared to customers  
23 than did the comparison companies. Staff concluded that its recommended return on equity adequately  
24 recognizes the size of the Maricopa W/WW properties. Staff believes that a flotation adjustment should  
25 not be made because flotation costs are not expensed, but are accounted for on the balance sheet; flotation  
26 costs are incurred only when issuing new securities<sup>13</sup>; and although it can be argued that flotation costs

27  
28 <sup>13</sup> Citizens issued \$250 million in equity in 1996, but the net proceeds were used to finance telecommunications acquisitions, not fund utility plant to serve Arizona customers.

might have an impact where a utility is paying out cash dividends, Citizens no longer pays cash dividends. Staff points out that the methodology used by Staff is the one that the Commission has historically favored.

RUCO responded to the Company's criticism that no leverage adjustment is necessary by pointing out that Mr. Hill's analysis of the financial risk of companies with lower levels of leverage determined that the adjustment to the cost of equity could be as high as 60 to 80 basis points, and that RUCO did not apply the full amount of the indicated differential to its downward adjustment. RUCO also criticized the Company's heavy reliance on the CAPM, noting that the CAPM has many short-comings as an equity cost estimation tool as discussed in recent studies published in academic literature.<sup>14</sup> RUCO believes that this casts serious doubt on the veracity of beta as a reliable risk measure and encouraged the Commission to reject the Company's CAP methodology. RUCO believes that the Company's DCF analysis was performed to result in an upwardly biased rate by accounting for flotation costs the Company will not incur and by accounting for quarterly compounding of dividends and thereby allowing investors that return twice. RUCO believes that the operating risk of utilities, both large and small, is relatively uniform and no additional rate of return award is due to a smaller utility due simply to its size.

After considering all the record evidence, the Commission finds that 10.5 percent is a reasonable return on equity for Citizens' Maricopa W/WW operations. We find that this cost level adequately reflects the business and financial risks associated with those operations.

E. Cost of Capital Summary

	<u>Percentage</u>	<u>Cost</u>	<u>Weighted Cost</u>
<u>Long-term debt</u>	43.0%	7.11%	3.06%
<u>Preferred stock</u>	6.0%	5.075%	.31%
<u>Common equity</u>	51.0%	10.5%	5.36%
<b>TOTAL</b>			<b>8.73%</b>

<sup>14</sup> The Company argues that those studies have been refuted by a more recent study that confirmed that both size and beta are important in understanding utility stock returns.

**IX. AUTHORIZED INCREASE/DECREASE**

With the adjustments adopted herein, the combined overall revenue effect is to increase the Company's operating revenues by \$540,469 or 3.24 percent.

With the adjustments adopted herein, the adjusted TY operating income is for Sun City Water is \$1,362,270. Further, the 8.73 percent cost of capital translates into a 5.3 percent rate of return on FVRB as authorized hereinabove. Multiplying the 5.3 percent rate of return by the FVRB produced required operating income of \$1,198,045. This is \$164,225 less than the Company's TY adjusted operating income. Multiplying the excess by the revenue conversion factor of 1.65152 results in an decrease in revenues of \$271,221 or a 4.7 percent net decrease over TY adjusted revenues.

With the adjustments adopted herein, the adjusted TY operating income is for Sun City Sewer is \$562,851. Further, the 8.73 percent cost of capital translates into a 5.2 percent rate of return on FVRB as authorized hereinabove. Multiplying the 5.2 percent rate of return by the FVRB produced required operating income of \$655,646. This is \$92,795 more than the Company's TY adjusted operating income. Multiplying the deficiency by the revenue conversion factor of 1.65152 results in an increase in revenue of \$153,253 or a 3.4 percent net increase over TY adjusted revenues.

With the adjustments adopted herein, the adjusted TY operating income is for Sun City West Water is \$666,017. Further, the 8.73 percent cost of capital translates into a 7.9 percent rate of return on FVRB as authorized hereinabove. Multiplying the 7.9 percent rate of return by the FVRB produced required operating income of \$546,184. This is \$119,833 less than the Company's TY adjusted operating income. Multiplying the excess by the revenue conversion factor of 1.65152 results in an decrease in revenues of \$197,907 or a 6.8 percent net decrease over TY adjusted revenues.

With the adjustments adopted herein, the adjusted TY operating income is for Sun City West Wastewater is (\$20,579). Further, the 8.73 percent cost of capital translates into a 7.6 percent rate of return on FVRB as authorized hereinabove. Multiplying the 7.6 percent rate of return by the FVRB produced required operating income of \$450,357. This is \$470,936 more than the Company's TY adjusted operating income. Multiplying the deficiency by the revenue conversion factor of 1.65152 results in an increase in revenues of \$777,760 or a 35.3 percent net increase over TY adjusted revenue.

With the adjustments adopted herein, the adjusted TY operating income is for Agua Fria is

2 \$256,851. Further, the 8.73 percent cost of capital translates into a 7.9 percent rate of return on FVRB  
3 as authorized hereinabove. Multiplying the 7.9 percent rate of return by the FVRB produced required  
4 operating income of \$288,514. This is \$31,663 more than the Company's TY adjusted operating income.  
5 Multiplying the deficiency by the revenue conversion factor of 1.65152 results in an increase in revenues  
6 of \$52,292 or a 4.7 percent net increase over TY adjusted revenues.

7 With the adjustments adopted herein, the adjusted TY operating income is for Tubac Valley is  
8 \$39,810. Further, the 8.73 percent cost of capital translates into a 6.6 percent rate of return on FVRB as  
9 authorized hereinabove. Multiplying the 6.6 percent rate of return by the FVRB produced required  
10 operating income of \$57,886. This is \$18,076 more than the Company's TY adjusted operating income.  
11 Multiplying the deficiency by the revenue conversion factor of 1.45334 results in an increase in revenues  
12 of \$26,270 or a 14.8 percent net increase over TY adjusted revenues.

#### 13 X. COST OF SERVICE

14 The Company conducted cost of service allocation studies to develop the rate of return under  
15 present and proposed rates for each of the several customer classifications in each utility. In the four  
16 separate water utility studies, the rates of return were developed for the residential, commercial, public  
17 authority, irrigation and private fire protection classifications. In the two separate sewer utility studies,  
18 the rates of return were developed for the residential and commercial customer classifications. In general,  
19 cost of service studies are tools that help determine cost causation by customer class, and what the  
20 appropriate revenue requirement for each customer class should be. Other considerations such as rate  
21 stability, fairness, conservation, etc. also are important in designing rates.

22 Both Staff and RUCO analyzed the cost of service studies, and agree with most of the  
23 fundamental principles and the basic methodology that was used. Staff believes that costs should be  
24 allocated to customers based on the customer's meter size, whereas the Company allocated costs based  
25 on the nature of their end use, i.e., residential, commercial, public authority, and other classes. RUCO  
26 disagreed with the manner in which the Company allocated demand costs, primarily the ratios of  
27 maximum use to average use for each customer class, and the allocation of public fire protection costs  
28 to residential, commercial, and public authority classes.

## XI. RATE DESIGN

### A. Water Utilities

The current rate structures include gallons in the minimum<sup>15</sup> and a single commodity charge. All parties recommended that minimum gallonage allowances be eliminated. We agree that this will send correct price/conservation signals and give customers more control over their water bills. Likewise, the parties agree that the rate design should incorporate rate blocks with price changes between the blocks. We agree with RUCO and the Company that at this time, a two block inclining rate structure is more appropriate. Once the Company's customers have some experience with these rates, and the conservation effect, if any, is known, then a more complex, three tier rate block structure may be appropriate.

The Company established the size of the initial block for each meter size in a manner that it believes maximizes the amount of discretionary use in the second block. The Company did not propose two blocks for 4 inch meter and larger customers, but used a single commodity rate for all usage. RUCO proposed an initial block of 8,000 gallons for all meter sizes and an increased commodity charge in the second block where revenues allowed for it. The Company criticized RUCO's approach as unfairly discriminating against customers with larger meter sizes. We agree with RUCO that charging customers with larger sized meters less per gallon does not send the appropriate price signal in an area where conservation is needed.

Staff recommended that the service charges for irrigation customers be set at the same rates for residential and commercial customers using the same meter size, instead of lower rates as proposed by the Company. We agree with Staff and also agree with the Company and Staff that the current flat commodity rate of \$0.65 per thousand gallons remain in effect. We also agree with the Company and Staff that public authority customer fire hydrant rate of a flat \$3.50 per fire hydrant for the City of Peoria is appropriate and that the flat commodity rate of \$0.50 per thousand gallons to the City of Peoria remain in effect. Staff proposed a commodity rate of \$2.02 per thousand gallons on all consumption for the Perryville State Prison which is on the Agua Fria system. Staff agreed that it is possible that this large

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<sup>15</sup> 1,000 gallons for Sun City Water, Agua Fria, and Tubac and 5,000 gallons for Sun City West Water.

customer could potentially develop alternative water resources to meet its water needs, and if it did leave the system, the remaining ratepayers may have significant increases to remedy the revenue shortfall. Staff proposed that this flat commodity rate be authorized specifically and only for the Perryville Prison, and that the Company should be directed to file a tariff specific to this customer. We agree that such a rate is reasonable under the circumstances.

Staff believes that the Company's miscellaneous service charges and meter and service line installation charges should be revised to be consistent and uniform in all four systems, as well as comply with Commission rules and policy. The Company did not oppose that recommendation and we agree with Staff's recommendation.

Citizens has also requested a tariff to offer raw, untreated CAP water to golf courses and all irrigation-type users. Citizens proposed a \$.50 per thousand gallon rate for the water to be delivered under this tariff, and the infrastructure needed to deliver the water would be constructed pursuant to line extension agreements between the Company and the customer. Staff believes that this tariff may be of potential benefit to the irrigation/turf customers. Staff agrees that the infrastructure should be constructed through main extension agreements and recommends that customers must accept the responsibility for the water "as is", meaning that the customer is responsible for any necessary compliance with the ADEQ or other regulatory agencies having jurisdiction concerning water quality, and hold harmless the Company and ratepayers from any injuries or damages arising from the provision of non-potable CAP water.

The Company and RUCO proposed increases in private fire line rates from the current charge of \$5.00 per month for all private fire lines regardless of size to a graduated system that ranged from \$5.00 per month to \$60.00 (Company) or \$30.00 (RUCO). According to Staff, its private fire line rates are based on Commission policy established as a result of Decision No. 57395 (May 23, 1991) involving Chaparral City Water Company, and have been consistently implemented and adopted by the Commission in all water utility rate cases subsequent to that decision. The policy is to set the private fire line rate equal to one percent of the general service charge, but not less than \$5.00 per month. The Company agrees that this logic is appropriate for recovery of the demand costs from private fire customers, but has no bearing on the portion of the customer costs to be recovered from such customers.

1 The Company's witness testified that the customer costs for the service line and for billing and collectin  
2 with the exception of meter reading, are not different for private fire customers and general service  
3 customers with the same size service. We agree with the Company and RUCO that private fire line  
4 charges should more closely match the costs associated with providing that service, and should include  
5 recovery of customer costs plus a portion of demand costs.

6 The Company proposed that the price elasticity of the demand for water be incorporated into the  
7 rate design through the projection of the level of future water consumption as a result of new rates. The  
8 Company's witness developed models similar to those used with demand side management studies, and  
9 derived a price elasticity estimate of .295. This means that for every one percent increase in the price of  
10 water, demand is projected to decrease by .295 percent.

11 Staff recommended that the price elasticity estimate not be incorporated into the rate design  
12 because it is not known or measurable. RUCO rejects the price elasticity estimate because it used  
13 average price rather than incremental price.

14 We note that based on a survey of Sun City customers, the Company witness was unable  
15 conclude that current conservation education programs materially reduce water demand. Likewise, a  
16 conservation rate design is intended to reduce water demand, but until the rate design is actually  
17 implemented, no one knows whether it will actually work. Since we are adopting a rate design that  
18 incorporates incremental prices, we agree with RUCO that the use of average price in the price elasticity  
19 estimate is inappropriate. Accordingly, we will not incorporate price elasticity into the rate design.

20 We will adopt the rate design recommended by RUCO for Tubac Valley. The difference in the  
21 revenues between RUCO's recommended level and the revenues authorized herein should be added to  
22 the commodity rate in the second tier.

23 As far as the rate design for Sun City Water, Sun City West Water, and Agua Fria, we agree with  
24 RUCO and Staff that the service charges should not increase, and that the service charge for Sun City  
25 West Water should decrease due to the removal of the 5,000 gallons included in the minimum. The  
26 results of the cost of service studies indicate that the service charges should remain the same or decrease  
27 to no lower than five dollars for the 5/8-inch meters. The rate design should incorporate a two block  
28 inclining rate structure, with a price differential between the two blocks to encourage conservation.

Where possible, the commodity rate should not decrease from its current rate. As indicated above, the initial block should contain 8,000 gallons.

On April 23, 1997, Staff, RUCO and the Company each submitted rate design schedules interpreting these guidelines. We find that for Sun City Water and Sun City West Water, RUCO's schedules are appropriate; and for Agua Fria and Tubac, the Company's schedules are appropriate. Citizens shall submit tariffs which incorporate these guidelines to RUCO and Staff for their review prior to filing with the Commission.

B. Wastewater Companies

The Company proposed equal percent increases to residential and commercial customers in the Sun City Sewer and Sun City West Wastewater systems. Both Staff and RUCO recommended larger increases for commercial customers than for residential customers. The Company agreed that its cost of service allocation study indicated the need for a greater than average increase to the commercial class, but objected to increases that were twice that of the residential class. For Sun City Sewer, Staff recommended adopting a 17.56 percent increase for commercial and larger user customers, with a slight decrease in residential rates. For Sun City West Wastewater, Staff recommended adopting a 57.18 percent increase for commercial and larger user customers, and an increase of 10.61 percent in residential rates. RUCO recommended that the commercial class receive a rate increase that is roughly twice the average increase. As discussed hereinabove, we have allowed wastewater pretreatment charges and revenues which are incurred for commercial customers, and this further supports RUCO and Staff's position that commercial customers' rates should recover most of the increase. Accordingly, we will adopt Staff's recommended rate design. On April 23, 1997, Staff, RUCO and the Company each submitted rate design schedules. We agree with Staff's proposal.

Both Staff and RUCO recommended that the Sun City Sewer's sewer treatment surcharge be eliminated and that the Tolleson wastewater processing charge be treated as a normal operating expense which is recovered in base rates. The Company stated that while it was reluctant to include the treatment costs into base rates, it did not oppose this recommendation. Accordingly, we have eliminated the sewer treatment surcharge and included the costs in base rates. Further, the parties have agreed in concept with the recovery/refund methodology to be developed in connection with the bank balance.

**XII. YOUNGTOWN CC&N**

On February 8, 1995, Sun City Water and Sun City Sewer purchased the water and wastewater facilities of Youngtown that serve approximately 3,720 customers within the Town's municipal boundaries. On May 8, 1996, Sun City Water and Sun City Sewer filed a Joint Application for an extension of their CC&Ns to serve the Town. The Company's witness testified in support of the Joint Application that there is a public need and necessity for water and wastewater utility service in the areas and that Sun City Water and Sun City Sewer are fit and proper entities to serve the requested areas. Staff recommended approval of the Joint Application and recommended that the Commission order Sun City Water and Sun City Sewer to charge customers in the extension areas the rates approved in this proceeding. We agree with Staff's recommendations and will approve the Joint Application.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

**FINDINGS OF FACT**

1. Citizens is a Delaware corporation engaged in providing water and wastewater utility service to the public in certain portions of Mohave and Santa Cruz counties, Arizona.
2. On August 17, 1995 Citizens filed a Joint Application for its six operations for approval of general increases in rates and charges for water and wastewater utility service.
3. On October 2, 1995, Staff filed a notice that the Joint Application has met the sufficiency requirements of A.A.C. R14-2-103 and that the Company has been classified as a Class A.
4. In accordance with A.A.C. R14-3-101, a Procedural Order was issued October 25, 1995 which set the matter for hearing on May 15, 1996.
5. In accordance with the Procedural Order, Citizens published notice of its application for an increase in rates in newspapers of general circulation in its service areas and mailed, by means of a bill insert, a copy of the notice to each of its customers.
6. On February 8, 1995, Sun City Water and Sun City Sewer purchased the water and wastewater facilities of Youngtown and on May 8, 1996, Sun City Water and Sun City Sewer filed Joint Application for an extension of their CC&Ns to serve Youngtown.

7. On October 2, 1995, Sun City Sewer filed its sewer treatment surcharge application which requested that the Commission retain the currently authorized surcharge rates.

8. On November 3, 1995, the sewer treatment surcharge application was consolidated with the rate applications.

9. By Procedural Order issued August 2, 1996, the Joint Rate Application and the Joint CC&N Application were consolidated.

10. There were numerous discovery disputes and oral arguments on the discovery disputes occurred on March 5, March 20, April 3, and April 23, 1996.

11. On May 9, 1996, the time-clock rules were stayed pursuant to A.A.C. R14-2-103(B)(11)(e)(ii).

12. By Procedural Order issued May 9, 1996, the hearing was rescheduled to commence on October 29, 1996.

13. Public comment hearings were held on the application in Sun City, Surprise, and Nogales, Arizona and at the Commission's offices in Phoenix, Arizona, on the dates indicated hereinabove.

14. A fair and reasonable rate of return on Sun City Water's FVRB is 5.3 percent.

15. For ratemaking purposes, Sun City Water's adjusted TY revenues were \$5,731,330, its TY operating expenses are \$4,369,060, and its existing rates provided TY net operating income of \$1,362,270.

16. For ratemaking purposes, Sun City Water's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$13,675,576, \$31,533,666 and \$22,604,621.

17. Operating income of \$1,198,045 is necessary to yield a 5.3 percent rate of return on the FVRB.

18. Sun City Water must decrease operating revenues by \$271,221 or 4.7 percent to produce operating income of \$1,198,045.

19. Sun City Water's proposed increase of \$364,780 would produce an excessive return on its FVRB.

20. A fair and reasonable rate of return on Sun City Sewer's FVRB is 5.2 percent.

21. For ratemaking purposes, Sun City Sewer's adjusted TY revenues were \$4,566,689, its

TY operating expenses are \$4,003,838, and its existing rates provided TY net operating income of \$562,851.

22. For ratemaking purposes, Sun City Sewer's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$7,515,406, \$17,701,732 and \$12,608,569.

23. Operating income of \$655,646 is necessary to yield a 5.2 percent rate of return on the FVRB.

24. Sun City Sewer must increase operating revenues by \$153,253 or 3.4 percent to produce operating income of \$655,646.

25. Sun City Sewer's proposed increase of \$404,392 would produce an excessive return on its FVRB.

26. A fair and reasonable rate of return on Sun City West Water's FVRB is 7.9 percent.

27. For ratemaking purposes, Sun City West Water's adjusted TY revenues were \$2,898,832, its TY operating expenses are \$2,232,815 and its existing rates provided TY net operating income of \$666,017.

28. For ratemaking purposes, Sun City West Water's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$6,235,619, \$7,591,825 and \$6,913,722.

29. Operating income of \$546,184 is necessary to yield a 7.9 percent rate of return on the FVRB.

30. Sun City West Water must decrease operating revenues by \$197,907 or 6.8 percent to produce operating income of \$546,184.

31. Sun City West Water's proposed increase of \$127,492 would produce an excessive return on its FVRB.

32. A fair and reasonable rate of return on Sun City West Wastewater's FVRB is 7.6 percent.

33. For ratemaking purposes, Sun City West Wastewater's adjusted TY revenues were \$2,203,793, its TY operating expenses are \$2,224,372, and its existing rates provided TY net operating income of (\$20,579).

34. For ratemaking purposes, Sun City West Wastewater's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$5,108,820, \$6,742,689 and \$5,925,755.

35. Operating income of \$450,357 is necessary to yield a 7.6 percent rate of return on the FVRB.

36. Sun City West Wastewater must increase operating revenues by \$777,760 or 35.3 percent to produce operating income of \$450,357.

37. Sun City West Wastewater's proposed increase of \$994,602 would produce an excessive return on its FVRB.

38. A fair and reasonable rate of return on Agua Fria's FVRB is 7.9 percent.

39. For ratemaking purposes, Agua Fria's adjusted TY revenues were \$1,106,294, its TY operating expenses are \$849,443, and its existing rates provided TY net operating income of \$256,851.

40. For ratemaking purposes, Agua Fria's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$3,305,517, \$3,998,637 and \$3,652,077.

41. Operating income of \$288,514 is necessary to yield a 7.9 percent rate of return on the FVRB.

42. Agua Fria must increase operating revenues by \$52,292 or 4.7 percent to produce operating income of \$288,514.

43. Agua Fria's proposed increase of \$148,555 would produce an excessive return on its FVRB.

44. A fair and reasonable rate of return on Tubac Valley's FVRB is 6.6 percent.

45. For ratemaking purposes, Tubac Valley's adjusted TY revenues were \$177,442, its TY operating expenses are \$137,632, and its existing rates provided TY net operating income of \$39,810.

46. For ratemaking purposes, Tubac Valley's OCRB, RCNRB, and FVRB for the TY ended March 31, 1995 are determined to be \$657,068, \$1,097,065 and \$877,067.

47. Operating income of \$57,886 is necessary to yield a 6.6 percent rate of return on the FVRB.

48. Tubac Valley must increase operating revenues by \$26,270 or 14.8 percent to produce operating income of \$57,886.

49. Tubac Valley's proposed increase of \$51,662 would produce an excessive return on its FVRB.

50. Based on the cost of service studies, the need for conservation, the level of revenue authorized herein, and the principle of gradualism, the revenue distribution methods described herein are appropriate in this case.

51. The demand of existing customers is contributing to the groundwater depletion of the aquifer, land subsidence, and other environmental damage.

52. The consequences of excessive groundwater withdrawal include decreased water levels, diminished water quality, well failures, increased pumping costs, and more land subsidence.

53. Because Citizens is not utilizing CAP water in the provision of service to its customers, its CAP allocation by definition is not "used and useful." Therefore, the costs of Citizens' CAP capital charges should not be borne by the ratepayers. Furthermore, because Citizens has no definite plans to use the CAP water, its proposal to use its CAP allocation is speculative and the use of this water cannot be considered to be a known and measurable event.

54. Citizens shall be allowed to defer its CAP M&I capital charges as set forth herein.

55. The sewer treatment surcharge for Sun City Sewer shall cease when the rates approved herein go into effect, and Staff, RUCO, and the Company shall develop and implement any necessary surcharge mechanism to refund or collect any over/under collected bank balance.

56. Engineering Staff's recommendations are reasonable and should be adopted.

57. Groundwater withdrawal fees shall be recovered through a pass-through surcharge mechanism.

58. Consistent with the Discussion herein, it is reasonable for the Company to utilize the accrual method for PBOPs.

59. Tubac Valley is not in compliance with the regulations of ADEQ.

60. It is reasonable that the rates and charges adopted below for Tubac Valley become effective in the month following Tubac Valley submitting evidence that ADEQ has determined that Tubac Valley's water meets the Safe Drinking Water Act's Standards.

#### CONCLUSIONS OF LAW

1. Citizens is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Citizens and of the subject matter of the applications.

3. Notice of Citizens' applications were given in accordance with the law.

4. The time-clock rules were extended by 167 days as a result of extraordinary events.

5. The rates and charges for water and wastewater service proposed by Citizens are not just and reasonable.

6. The rates and charges established hereinafter are just and reasonable.

7. Citizens should be authorized to file revised tariffs for water and wastewater service consistent with the above Findings of Fact and the Discussion herein under Authorized Increase and Rate Design.

8. Sun City Water and Sun City Sewer are fit and proper entities to receive amended Certificates which encompasses Youngtown, Arizona.

9. The public convenience and necessity require the extension of Sun City Water and Sun City Sewer's Certificates to serve Youngtown, Arizona.

10. Citizens' decision to obtain allocations of CAP water was a prudent planning decision.

### ORDER

IT IS THEREFORE ORDERED that Citizens Utilities Company be, and hereby is authorized and directed to file, within ten days of the date of this Decision, revised tariffs for its Agua Fria Water Division, Sun City Sewer Company, Sun City Water Company, Sun City West Utilities Company and Tubac Valley Company setting forth the rates and charges for the provision of water and wastewater service authorized herein and in accordance with the Discussion, Findings of Fact, and Conclusions of Law herein.

IT IS FURTHER ORDERED that the rates and charges contained in said tariffs shall become effective for service rendered on and after May 1, 1997 except that the rates and charges for Tubac Valley shall become effective for all service provided on and after the first day of the month following Tubac Valley filing with the Director of the Utilities Division evidence that Tubac Valley's water system is serving water which the Arizona Department of Environmental Quality has determined meets the Safe Drinking Water Act Standards.

1 IT IS FURTHER ORDERED that the sewer treatment surcharge for Sun City Sewer shall cease  
2 when the rates approved herein go into effect, and Staff, RUCO, and the Company shall develop and  
3 implement any necessary surcharge mechanism to refund or collect any over/under collected bank  
4 balance.

5 IT IS FURTHER ORDERED that Citizens Utilities Company is hereby authorized to defer its  
6 CAP M&I Capital Charges under the terms and conditions set forth herein.

7 IT IS FURTHER ORDERED that Citizens Utilities Company shall notify its customers of the  
8 rates and charges authorized herein and the effective dates of same by means of inserts in the next  
9 regularly scheduled monthly billings.

10 IT IS FURTHER ORDERED that Citizens Utilities Company shall comply with the reporting  
11 requirements as discussed herein.

12 IT IS FURTHER ORDERED that Citizens Utilities Company shall comply with the Engineering  
13 Staff's recommendations.

14 IT IS FURTHER ORDERED that the Applications of Sun City Water Company and Sun City  
15 Sewer Company to extend their Certificates of Convenience and Necessity to serve the Town of  
16 Youngtown, Arizona are hereby granted.

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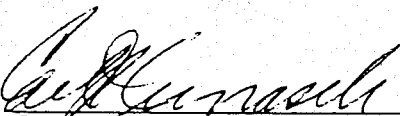
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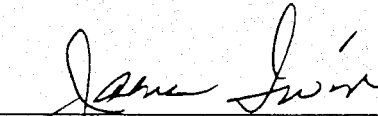
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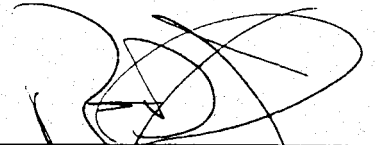
IT IS FURTHER ORDERED that Citizens Utilities Company shall utilize the accrual method for PBOPs in its next rate case consistent with the conditions set forth herein.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

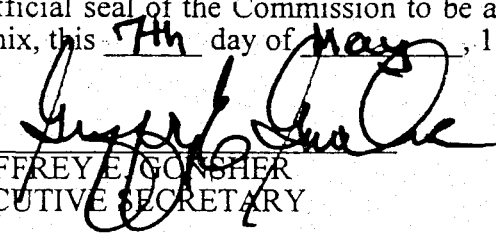
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, GEOFFREY E. GONSHER, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 7th day of May, 1997.

  
GEOFFREY E. GONSHER  
EXECUTIVE SECRETARY

DISSENT \_\_\_\_\_  
LAF:dap

SERVICE LIST FOR:

CITIZENS UTILITIES COMPANY, AGUA FRIA  
WATER DIVISION; SUN CITY SEWER; SUN CITY  
WATER COMPANY; SUN CITY WEST UTILITIES  
COMPANY; and TUBAC VALLEY COMPANY.

DOCKET NOS.:

E-1032-95-417; U-2276-95-417; U-1656-95-417; U-2334-  
95-417; U-1595-95-417; U-2276-95-420; U-1656-96-282  
and U-2276-96-282.

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

FEB 1 1990

MARCIA WEEKS  
CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
DALE H. MORGAN  
COMMISSIONER



IN THE MATTER OF THE JOINT APPLICATION )  
OF CITIZENS UTILITIES COMPANY, MOHAVE )  
WATER DIVISION AND MOHAVE WASTEWATER )  
DIVISION, FOR A HEARING TO DETERMINE )  
THE FAIR VALUE OF THEIR PROPERTIES FOR )  
RATEMAKING PURPOSES, TO FIX A JUST AND )  
REASONABLE RETURN THEREON, AND TO )  
APPROVE RATE SCHEDULES DESIGNED TO )  
DEVELOP SUCH RETURN. )

DOCKET NO. E-1032-88-290

DECISION NO.

56806

OPINION AND ORDER

DATES OF HEARING:

July 12, 1989 (Pre-hearing)  
July 18 - 20, 1989 (Hearing)

PLACE OF HEARING:

Phoenix, Arizona (Pre-hearing)  
Bullhead City, Arizona (Hearing)

PRESIDING OFFICER:

Beth Ann Burns

IN ATTENDANCE:

Renz D. Jennings, Chairman  
Marcia Weeks, Commissioner  
Dale H. Morgan, Commissioner

APPEARANCES:

BROWN & BAIN, P.A., by Mr. Lex  
Smith, and Mr. Charles J. Weiss,  
Staff Attorney, Citizens Utilities  
Company, on behalf of the Applicant.

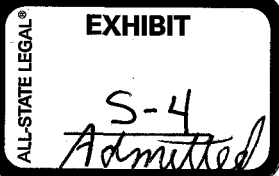
Mr. Roger A. Schwartz, Attorney, on  
behalf of the Residential Utility  
Consumer Office.

Mr. Bill Wagner, Assistant Fire  
Chief, on behalf of the Bullhead  
City Fire District.

Mr. Christopher Kempley, Assistant  
Chief Counsel, Legal Division, on  
behalf of the Arizona Corporation  
Commission Staff.

BY THE COMMISSION:

On November 14, 1988, Citizens Utilities Company, Mohave Water  
and Mohave Wastewater Divisions ("Citizens", "Applicant", or



1 "Company") filed with the Arizona Corporation Commission  
2 ("Commission") a joint application requesting an increase in the  
3 rates and charges for water and wastewater service.

4 Intervention in this matter was granted to the Residential  
5 Utility Consumer Office ("RUCO") and the Bullhead City Fire  
6 District.

7 By Procedural Order dated February 27, 1989, the hearing in  
8 this matter was scheduled to commence on July 18, 1989 in Bullhead  
9 City, Arizona. The hearing commenced as scheduled and concluded on  
10 July 20, 1989. At the hearing, Citizens and the Commission's Staff  
11 ("Staff") presented testimony.

12 Citizens, Staff, and RUCO filed concurrent initial briefs on  
13 September 8, 1989.

#### 14 DISCUSSION

15 Citizens is a Delaware corporation engaged directly, or  
16 indirectly through wholly-owned subsidiaries, in the business of  
17 providing public utility electric, gas, water, sewer, and/or  
18 telecommunications service in 12 states, including Arizona. The  
19 service territory of Citizens' Mohave Water and Wastewater Divisions  
20 includes Bullhead City, Arizona, and the surrounding vicinity. The  
21 water division serves approximately 10,000 connections, the majority  
22 of which are residential customers. The wastewater division serves  
23 approximately 2,200 connections, which are also primarily  
24 residential. All of the wastewater customers receive their water  
25 service from Citizens.

26 This case comes before the Commission upon application of  
27 Citizens for authority to permanently increase its rates and charges  
28 for water and sewer service. Through its application, Citizens

1 requested Commission approval of rate schedules which would yield  
2 approximately \$732,163 (a 33.6% increase) in additional gross annual  
3 revenues for the water division and approximately \$873,854 (a 110%  
4 increase) for the wastewater division, based upon the test year  
5 ended March 31, 1988. Citizens proposed to implement a three-step  
6 phase-in of the rate increase for each division.

7 Immediately prior to, and during the course of, the hearing in  
8 this matter, the parties engaged in discussions aimed at narrowing  
9 or eliminating issues to be presented for the Commission's  
10 consideration. As a result of the negotiations, Applicant and Staff  
11 resolved a number of the differences between their respective  
12 positions. The agreements reached and issues remaining are  
13 summarized on Exhibits A-26 and A-27, revised as of August 2, 1989.  
14 The parties intend the settlement to be for purposes of this case  
15 only, and not to be precedent or agreement for any party's  
16 principles or methodologies used in arriving at the settled  
17 position.

18 Taking the settlements and final positions of the parties into  
19 account, Applicant is now requesting an increase in gross annual  
20 revenues of \$666,000 for the water division, while Staff is  
21 recommending an increase of \$294,000. For the wastewater division,  
22 Applicant supports an increase of \$901,000, which exceeds its  
23 originally filed request, while Staff recommends an increase of  
24 \$669,000.

25 RUCO participated in the discussions, but neither supports nor  
26 opposes the settled matters, other than the cost of capital with  
27 which it has expressly concurred.

28

1 I. RATE BASE2 A. Settled Issues

3 With the exception of the plant-related portion of Staff's  
4 adjustment for customer additions, discussed below, all rate base  
5 issues existing between Applicant and Staff have been resolved. The  
6 major ratemaking issues settled for both divisions include: no  
7 allowances for working capital or cash balances; Staff's  
8 amortization of contributions in aid of construction ("CIAC"); and  
9 Staff's reconstruction cost new amounts. For the water division  
10 only, the parties agreed on: the plant in service amounts; Staff's  
11 adjustment to eliminate construction work in progress; and the  
12 materials and supplies component.

13 B. Valuation

14 Based upon the foregoing settlements and our adoption below of  
15 Staff's adjustment for customer additions, the Commission finds the  
16 original cost rate base ("OCRB") to be \$5,179,753 for the water  
17 division and \$2,747,950 for the wastewater division. The Commission  
18 further finds the reconstruction cost new rate base ("RCNRB") for  
19 the water and sewer operations to be \$7,862,341 and \$3,890,225,  
20 respectively.

21 In accordance with the Commission's usual practice when a  
22 utility files reconstruction cost new data in support of an  
23 application for a general increase in rates, Applicant and Staff  
24 have agreed to equal weighting of the OCRB and RCNRB to arrive at  
25 the fair value rate base. Based upon a 50/50 weighting of the OCRB  
26 and RCNRB, the Commission finds the fair value rate base to be  
27 \$6,521,047 for the water division and \$3,319,088 for the wastewater  
28 division.

1 **II. OPERATING INCOME**2 **A. Settled Issues**

3 For both divisions, Applicant and Staff agreed to operating  
4 income adjustments that: eliminate memberships and contributions  
5 associated with the Company's administrative office in Stamford,  
6 Connecticut ("SAO"); reflect Staff's calculation of the superfund  
7 tax; correct computational differences; and utilize Staff's gross  
8 revenue conversion factor. In calculating the income tax expense  
9 allowance, the parties: normalized administrative and general  
10 expenses and overheads; flowed through meter costs, past service  
11 costs, salvage, abandonment, and cost of removal; and neither  
12 normalized nor flowed through certain equity costs. An agreement  
13 was reached to review the Company's treatment of such Schedule M  
14 items for income tax expense purposes in the next rate case.

15 Other settled matters and the remaining contested issues are  
16 discussed below.

17 **B. Adjustments for Customer Additions**

18 Staff updated to December 31, 1988 certain rate base, revenue,  
19 and expense items for both divisions to reflect the high degree of  
20 customer growth Citizens is experiencing and to recognize that over  
21 one year has elapsed since the end of the test period. The use of  
22 December 31, 1988 booked plant balances would include in rate base  
23 the system additions, mostly mains, which have been installed to  
24 serve the expanding number of customers. Original cost rate base  
25 would increase \$376,000 for the water division and \$247,000 for the  
26 wastewater division. The annualizations made to test year operating  
27 income would reflect the increased revenues attributable to new  
28 customers, as somewhat offset by increased variable expenses for

1 purchased power, customer accounting, materials, transportation,  
2 and uncollectibles. The net operating income impact would be  
3 \$60,549 for the water operation and \$13,496 for the wastewater  
4 operation. RUCO supports Staff's adjustments.

5 Applicant advocates rejection of Staff's updated figures on the  
6 grounds that: not all known and measurable changes were made to the  
7 ratemaking components; the annualizations are not based on actual  
8 data at December 31, 1988; use of a new test period would be more  
9 appropriate; and the out-of-period adjustments destroy the test year  
10 concept.

11 For ratemaking purposes, adjustments must be made to actual  
12 test year data to reflect known and measurable changes and to obtain  
13 a normal or more realistic relationship between revenues, expenses,  
14 and rate base, so that rates can be designed to reflect a  
15 normalized, realistic, and reasonable cost of providing service  
16 based on current conditions. See the Decision in U-1954-88-102  
17 issued this date, p. 11. Customer growth in Applicant's service  
18 territory is a significant known and measurable change which must  
19 be taken into account to ensure that rates are set at an appropriate  
20 level and are not over compensatory. The Commission accordingly  
21 will adopt Staff's adjustments.

22 C. First Quarter True-Up Adjustment

23 The expenses Citizens records on its books for each division  
24 include some accruals or estimates to be corrected at the end of the  
25 calendar year when actual expenses become known. Although the test  
26 year in this proceeding (the 12 months ended March 31, 1988) crosses  
27 two calendar years, Applicant's adjusted income statement included  
28 corrections for all of 1987 and none for 1988.

1 In order to true-up booked test year expenses, Staff proposed  
2 several adjustments to the income statement which would eliminate  
3 the corrections related to the first quarter of 1987 as being  
4 outside the test year and would incorporate into test year data the  
5 reconciliations related to the first quarter of 1988. The net  
6 operating income impact of the adjustments would be \$17,714 for the  
7 water division and \$5,215 for wastewater.

8 Applicant contends that Staff's adjustments should be rejected  
9 because they selectively recognize only one-fourth of the known  
10 actual expenses and thereby distort the test period concept.

11 This argument is without merit. The true-up adjustments Staff  
12 proposed appropriately reconcile the expense figures Citizens booked  
13 during the test year with corresponding corrections made by the  
14 Company at a later date. These reconciliations of estimated to  
15 actual data are necessary to preserve, rather than distort, the  
16 integrity of the test period.

17 **D. Payroll Expense and Payroll-Related Taxes**

18 Applicant's adjusted income statement includes pro forma  
19 amounts of payroll expense and payroll-related taxes for the  
20 divisions' employees and SAO salaries, calculated using the March  
21 31, 1988 level of payroll, as increased by 6% to account for wage  
22 increases anticipated during the remainder of 1988. Citizens  
23 included the wage increases to reflect the level of expenses it  
24 expects will be incurred at the time new rates are established in  
25 this proceeding.

26 Staff's calculation of these expense items also annualized  
27 payroll at the end of the test year, but omitted any adder for wage  
28 increases. For the water division, Staff's approach would reduce

1 payroll expense by \$34,841 and payroll tax expense by \$3,567. For  
2 the wastewater division, Staff additionally reduced payroll to  
3 reflect position vacancies and employee turnover identified by  
4 comparing the actual expense levels at March 31, 1988 with budgeted  
5 amounts. The total wastewater division reductions Staff calculated  
6 for payroll and payroll-related taxes are \$30,071 and \$2,244,  
7 respectively.

8 Citizens has taken issue with Staff's omission of expected wage  
9 increases beyond the end of the test year as being inconsistent with  
10 other out-of-period adjustments Staff sponsored. The Commission  
11 agrees with the Company. It would be inconsistent to recognize  
12 customer growth for ratemaking purposes, but not the wage increases  
13 which are also known and measurable changes at December 31, 1988.  
14 We will determine the allowances for the payroll expense components  
15 using Citizens' proposed 6% adder because it appears to be  
16 reasonably representative of the actual percentage increases the  
17 divisions experienced during the remainder of 1988.

18 Citizens has challenged Staff's application of a vacancy and  
19 turnover factor for the wastewater division on the grounds that  
20 Staff failed to conduct a study or otherwise verify that the total  
21 difference between budgeted and actual figures is attributable to  
22 position vacancies and employee turnover. In response, Staff claims  
23 that the adjustment is appropriately based upon actual results for  
24 the test year. The Commission will accept Staff's adjustment. By  
25 recognizing the difference between budgeted and actual figures, the  
26 allowances for payroll and payroll-related tax expense will be  
27 commensurate with the employee level likely to exist on an ongoing  
28 basis.

1       E.   Rate Case Expenses

2       There are three components to the rate case expense allowance  
3 Applicant has sponsored in this proceeding: the unamortized balance  
4 of expenses the Commission approved in the last case; prior expenses  
5 Citizens has deferred on its books; and expenses for the instant  
6 proceeding.

7           1.   The Unamortized Balance of Approved Expenses

8       Applicant and Staff calculated as of November 1, 1989 the  
9 balance of rate case expense remaining to be recovered for each  
10 division through the amortizations approved in the last case,  
11 Decision No. 55585 (June 3, 1987). Rates resulting from this  
12 proceeding, however, will not be effective until March 1, 1990.  
13 Consequently, for the water operation the remaining balance at March  
14 1, 1990 will be \$2,701. For the wastewater operation, the  
15 unamortized balance will be \$1,068. These amounts should be  
16 included in the rate case expense amortization approved below.

17           2.   The Company-Deferred Expenses

18       Applicant has deferred on its books \$230,332 of expenses  
19 incurred in connection with: water and wastewater filings before  
20 the Commission from 1983 through 1986 upon which no action was  
21 taken; and with Docket No. E-1032-86-020, et al., the Order to Show  
22 Cause ("OSC") proceeding, for which recovery was not provided  
23 through the amortizations approved in Decision No. 55585. Applicant  
24 proposes to recover the \$230,332, plus carrying charges, over three  
25 years. Staff and RUCO oppose inclusion of any of these prior  
26 expenses in test year operating income.

27       The Commission finds that the expenses at issue are not  
28 properly recoverable through rates. A.A.C. R14-2-411(D)(2) provides

1 that: "Each utility shall maintain its books and records in  
2 conformity with the NARUC Uniform System of Accounts ("USOA") for  
3 Class A, B, C and D Water Utilities." Similarly, A.A.C. R14-2-  
4 610(D)(2) provides that: "Each utility shall maintain its books and  
5 records in conformity with the NARUC Uniform System of Accounts for  
6 Class A, B, C and D Sewer Utilities." Citizens violated these rules  
7 by unilaterally deferring the past rate case expenses on its books,  
8 rather than expensing them in accordance with the required  
9 accounting procedures once recovery was not provided by Decision  
10 55585. Citizens could have, but did not, seek an accounting order  
11 from the Commission to waive the applicable rules and permit the  
12 deferrals. As stated in the Decision issued this date in Docket No.  
13 U-1954-88-102, et al., p. 29:

14 Absent a provision in the USOA or a prior Commission order  
15 permitting deferral, current expenses should not be deferred  
16 for recovery in some future period. Had Citizens included the  
OSC expense in its last case, that expense would have been  
reflected in rates and would now be fully amortized....

17 In addition, the Commission is not persuaded by the record evidence  
18 that the deferred rate case expenses, although actually incurred and  
19 not double counted, are reasonable and prudent given their  
20 magnitude. Accordingly, test year expenses will not be adjusted to  
21 include the deferred amounts.

22 **3. The Current Expenses**

23 Based upon actual expenses incurred through June 1969 and an  
24 estimate of the cost to complete this proceeding, Applicant proposes  
25 current rate case expenses of \$118,343 for the water division and  
26 \$117,018 for the wastewater division, to be recovered through a  
27 three-year amortization. Staff agrees with the amortization period,  
28 but recommends approval of only \$95,000 of the total expenses. It

1 is Staff's testimony that Citizens should reasonably have been able  
2 to process the case for \$95,000 and that the Company's actually  
3 incurred rate case expenses include extraordinary costs associated  
4 with the production of property records.

5 The record evidence establishes that Applicant's proposed  
6 levels of rate case expense do include some amount of extraordinary  
7 costs. The record evidence also shows Staff's recommendation to be  
8 arbitrary and not supported by any specific calculation or  
9 comparison. Accordingly, the Commission will not adopt the figures  
10 advocated by either party. Instead, we will split the approximate  
11 difference between the two positions and approve \$165,000 as the  
12 appropriate level of rate case expense, to be allocated equally to  
13 the divisions and amortized over three years. This compromise gives  
14 due consideration to Citizens' actual expenses, but ensures that  
15 customers are not burdened with extraordinary or excessive costs.

16 F. Riverside Litigation Expenses

17 During the hearing in this matter, Citizens and the Riverside  
18 Sanitary District ("Riverside") entered a negotiated settlement  
19 ending three years of litigation over payment obligations for sewer  
20 services. The settlement followed a Federal Court ruling that  
21 Riverside is obligated to pay the wastewater division a Commission-  
22 determined rate for sewage treatment services and that the  
23 wastewater division is obligated to pay Riverside for sewage  
24 transportation services.

25 As a result of the settlement, Applicant and Staff agreed to  
26 adjust the test year income statement for the wastewater division  
27 to recognize a charge of \$21,000 payable by Citizens to Riverside  
28 for the transportation of the Company's sewage.

1 The treatment of the legal expenses Citizens incurred in  
2 connection with the Riverside litigation remains at issue.  
3 Applicant proposes to recover its approximately \$109,000 in actual  
4 expenses through a five-year amortization at \$20,000 per year.  
5 Staff has reviewed the pertinent invoices and does not dispute the  
6 amount of the legal expenses, but recommends an allowance for only  
7 50% of the charges. RUCO requests that consideration of these  
8 expenses be deferred until the next rate case to provide the parties  
9 with an opportunity to review the settlement and develop a more  
10 complete record.

11 The Commission believes this issue has been adequately  
12 addressed in the record and agrees with Staff that the legal  
13 expenses should not be fully reflected in the wastewater division's  
14 rates. The partial recovery Staff recommends appropriately balances  
15 the benefit flowing to ratepayers from the favorable resolution of  
16 the litigation with the countervailing consideration that such  
17 expenses are normally excluded from ratemaking as being  
18 extraordinary, non-recurring, and unrepresentative of ongoing  
19 operations. We will accordingly approve recovery of \$50,000 of the  
20 litigation expense through a five-year amortization at \$10,000 per  
21 year, with the unamortized balance not included in rate base.

22 G. Property Tax Expenses

23 Applicant increased its recorded test year property tax expense  
24 by \$34,269 for the water division and \$18,078 for the wastewater  
25 division, based upon the tax rate per dollar of plant investment  
26 from its 1987 tax bill, as applied to test year plant in service.  
27 Staff relied on the actual 1988 property tax bill and determined  
28 that the recorded taxes should be reduced by \$15,966 for the water

1 division and increased by \$12,328 for the wastewater division. The  
 2 Commission will adopt Staff's adjustments. In Docket No. U-1954-  
 3 88-102, et al., Citizens and Staff agreed on pro forma property tax  
 4 expense based upon the actual 1988 bill and we perceive no reason  
 5 to use a different calculation in this proceeding.

#### 6 H. Operating Income Summary

7 Consistent with the foregoing discussion the Commission finds  
 8 Applicant's adjusted test year operating income to be \$351,511 for  
 9 the water division, based upon operating revenues of \$2,362,110 and  
 10 operating expenses of \$2,010,799. For the wastewater division, the  
 11 Commission finds Applicant's adjusted test year operating income to  
 12 be (\$145,275), based upon operating revenues of \$824,558 and  
 13 operating expenses of \$969,833.

#### 14 III. RATE OF RETURN

15 Applicant, Staff, and RUCO agreed to the following capital  
 16 structure, cost rates, weighted average costs of capital, and the  
 17 resultant rate of return, which we believe to be reasonable and  
 18 should be adopted:

	<u>Percent of</u> <u>Total Capital</u>	<u>Unit</u> <u>Cost</u>	<u>Weighted</u> <u>Cost</u>
20 Long-Term Debt	34.5%	7.98%	2.753%
21 Common Equity	65.5%	12.30%	8.057%
22			
23 Total			10.61%

24 If Citizens is to be given an opportunity to recover its total  
 25 costs of providing service, including capital costs, the rate of  
 26 return on fair value rate base must be 8.60% for the water division  
 27 and 8.95% for the sewer division. There are no compelling  
 28

1 circumstances in this proceeding which would warrant granting  
2 citizens any premium above its reasonable cost of capital.  
3 Therefore, we find those rates of return to be fair and reasonable  
4 returns on the test year fair value rate base for each division.

5 **IV. AUTHORIZED INCREASES**

6 For the water division, multiplying the fair value rate base  
7 by the fair value rate of return produces a required operating  
8 income of \$560,810. This is \$209,299 more than the adjusted test  
9 year return under existing rates. The required increase in gross  
10 annual revenues is \$342,667, or 14.91%.

11 For the wastewater division, multiplying the fair value rate  
12 base by the fair value rate of return produces a required operating  
13 income of \$297,053. This is \$442,328 more than the adjusted test  
14 year return under existing rates. The required increase in gross  
15 annual revenues is \$718,064, or 87.08%.

16 **V. RATE DESIGN**

17 Applicant and Staff have agreed upon a cost of service  
18 methodology, which the Commission finds to be an acceptable guide  
19 in designing rates.

20 **A. Water Division**

21 Applicant and Staff have agreed to eliminate the separate rates  
22 for irrigation and fire hydrants, and Staff has not objected to the  
23 increased service charges Citizens has proposed. As a result, only  
24 two water rate design issues remain for decision.

25 First, Applicant advocates the elimination of all gallonage  
26 from the minimum bill, whereas Staff favors retention of the  
27 existing 1,000-gallon allowance. The Commission finds that  
28 inclusion of the first 1,000 gallons of usage in the minimum monthly

1 bill is reasonable and should be continued. The 1,000-gallon level  
 2 fairly and equitably balances customer acceptance of the rate  
 3 structure with the promotion of conservation Applicant seeks to  
 4 achieve.

5 Second, Applicant's proposed tariffs reflect increased charges  
 6 for the services now separately identified as service installation  
 7 and meter installation. Staff recommends that the services be  
 8 combined and the charges for the smaller meters be reduced from the  
 9 Company's proposed levels. We will adopt the charges for service  
 10 and meter installation as recommended by Staff for the smaller  
 11 meters and will approve the Company's proposal to assess actual  
 12 installation cost for meters in excess of 2 inches. We will also  
 13 adopt the Company's proposal to separate the meter and service  
 14 installation charges.

15 The present rates and charges for Citizens' water service, as  
 16 modified by this Decision are as follows:

18 <u>WATER USAGE RATES</u>	17 <u>Current</u>	16 <u>Approved</u>
19 Monthly Charge		
20 5/8 x 3/4" Meter	\$ 7.24	\$ 8.65
21 1" Meter	\$ 10.00	\$ 15.00
22 1 1/2" Meter	\$ 18.00	\$ 25.00
23 2" Meter	\$ 21.25	\$ 30.00
24 4" Meter	-0-	\$ 90.00
25 6" Meter	-0-	\$ 200.00
26 8" Meter	-0-	\$ 400.00
27 Commodity Charge Per 1,000 gals.	\$ 1.36	\$ 1.48
28 Gallons Included in Minimum	1,000	1,000
29 Per Private Fire Hydrant, Per Month		\$ 7.64
30 Private Fire Protection Service:		
31 Monthly Charge for Each Sprinkler Head		\$ .51

Minimum Charge Per Connection, Per Month:

2" Service Connection	\$ 3.00
4" Service Connection	\$ 6.00
6" Service Connection	\$ 9.00
8" Service Connection	\$ 12.00
10" Service Connection	\$ 15.00
12" Service Connection	\$ 18.00
14" Service Connection	\$ 21.00
20" Service Connection	\$ 30.00

SERVICE LINE INSTALLATION CHARGES

5/8" Meter	\$ 50.00	\$210.00
3/4" Meter	\$ 50.00	\$210.00
1" Meter	\$ 60.00	\$215.00
1 1/2" Meter	\$100.00	\$225.00
2" Meter	\$125.00	\$275.00
Greater than 2" Meter	-0-	Cost

METER INSTALLATION CHARGES

5/8" Meter	\$ 50.00	\$ 65.00
3/4" Meter	\$ 70.00	\$ 85.00
1" Meter	\$100.00	\$110.00
1 1/2" Meter	\$200.00	\$250.00
2" Meter	\$275.00	\$375.00
Greater than 2" Meter	-0-	Cost

SERVICE CHARGES

Establishment, Reestablishment		
Water Only	\$ 5.00	\$ 25.00
Water and Sewer		\$ 20.00
Reconnection and		
Reconnection - Delinquency	\$ 10.00	\$ 25.00
After Hours	\$ 25.00	\$ 40.00
Disconnection	\$ 5.00	\$ 25.00

B. Wastewater Division

The parties settled two issues pertaining to the design of sewer rates. In accordance with the settlement for the Riverside litigation, Applicant and Staff have agreed to a rate differential of approximately \$5 to \$6 for Riverside to recognize the lower cost of serving Riverside than other customers because it performs its own customer billing and collection services. The other agreement reached - to phase-in the rate increase - is discussed below. On

1 another issue, Staff did not challenge Citizens' suggested rate  
2 design for commercial customers or proposed changes to the service  
3 charges. Disagreements remain, however, over the service  
4 classifications, application of the commodity charge, and the  
5 billing period.

6 The major difference between the rate design proposals of  
7 Applicant and Staff involves the classification of customers into  
8 service categories. At present, Citizens' has four basic customer  
9 classes - residential, commercial, public authority (Riverside), and  
10 RV parks. Staff proposes to eliminate the classifications and to  
11 instead distinguish service based on the size of the customer's  
12 connection, i.e., a 4" or 6" connection. Staff believes this  
13 distinction would be more accurate and equitable because many  
14 businesses place a lesser burden on the system than do households.

15 Citizens opposes the reclassification on the grounds that:  
16 Staff incorrectly assumed all residential customers have 4"  
17 connections and all commercial customers have 6" connections; the  
18 division's billing records would have to be totally revised to  
19 include information on connection size, which would necessitate  
20 digging up many services to inventory and determine the size of the  
21 connection, particularly for the portions of the system acquired  
22 from other utilities; and the difference in connection size is  
23 already automatically taken into account since sewer rates are based  
24 on water consumption.

25 While connection size may be a rational basis to distinguish  
26 customers, the record evidence does not substantiate the existence  
27 of a problem with the current classifications, but does show that  
28 Citizens could incur substantial costs to implement the change.

1 Accordingly, the Commission at this time finds that the existing  
2 customer classes should be retained.

3 On a related issue, Applicant proposes to reclassify apartment  
4 units from commercial service to the residential class based upon  
5 their similar usage patterns. Staff did not express a position on  
6 this matter. The Commission finds that the reclassification of  
7 apartments to the residential class, with each apartment unit  
8 treated as a residential unit for billing purposes for water and  
9 wastewater services, is appropriate and should be approved.

10 With regard to the commodity charge issue, Citizens proposes  
11 to modify its existing flat rates for the residential class and  
12 Riverside by including an allowance for 4,000 gallons of water usage  
13 in the minimum bill, assessing a flow charge per 1,000 gallons for  
14 usage from 4,001 to 6,999 gallons, and capping application of the  
15 commodity charge at 7,000 gallons in recognition of the fact water  
16 usage in excess of that amount is generally landscape irrigation  
17 which does not flow through the sewer system. The Company's stated  
18 purpose for the rate design change is to recognize the differences  
19 between permanent and seasonal customers.

20 Staff has no objection to instituting a commodity charge or  
21 capping its application at 7,000 gallons for the residential class  
22 and Riverside, but recommends limiting the gallons included in the  
23 minimum bill to 1,000 and levying the charge for each 1,000 gallons  
24 of usage from 1,001 and 6,999 gallons. Staff believes its  
25 recommendation will afford customers greater flexibility in  
26 controlling the level of their bills.

27 The Commission will adopt Staff's rate design proposal.  
28 Billing in 1,000-gallon increments over a 6,000 gallon range will

1 provide flexibility, encourage conservation, and result in bills  
2 which more accurately reflect the cost of providing service. In  
3 addition, the 1,000-gallon allowance is consistent with the minimum  
4 usage included the water rate.

5 In its application, Citizens requests an increase in the flat  
6 rate for RV parks from \$5.10 to \$9.00 per space. Staff did not  
7 address this matter. The Commission perceives no reason to allow  
8 residents of RV parks to remain on a flat rate while all other  
9 customer classes are being converted to usage-sensitive rates.  
10 Accordingly, we will set a monthly rate for RV parks at \$9.00 per  
11 space and will assign minimum gallonage and commodity charges to  
12 each park in accordance with those accepted by the parties for the  
13 commercial class - i.e., 7,000 gallons included in the minimum and  
14 a charge per 1,000 gallons for usage in excess of that amount.

15 As a tariff matter, Staff has recommended that Citizens change  
16 its procedure from billing in advance to billing in arrears. It now  
17 appears that this recommendation was based upon erroneous  
18 information from the Company and that Citizens does bill customers  
19 on an after-the-fact basis. Accordingly, no change in the current  
20 billing practice is necessary. However, Citizens' wastewater  
21 tariff, 6th Revised Sheet No. 4, does indicate the minimum rate per  
22 month is "payable in advance." Citizens should be directed to amend  
23 that tariff provision to conform to its current billing practice.

24 As previously mentioned, Applicant and Staff reached an  
25 agreement to phase-in the rate increase for the sewer division over  
26 two years to prevent customer rate shock. Pursuant to the  
27 agreement, in the first year, rates would reflect approximately one-  
28 half of the increase determined either as a specific dollar amount

1 or percentage, with the unrecovered balance deferred and earning a  
 2 return at the overall weighted average cost of capital. In the  
 3 second year, the initial increase would remain in effect and rates  
 4 would be raised to include the other half of the increase, plus the  
 5 deferred balance from the first year and the associated carrying  
 6 charges. In the third year, rates would decline to the amount of  
 7 the authorized increase.

8 The Commission finds that the proposed phase-in is unreasonable  
 9 and should be rejected. During the second year, the phase-in would  
 10 result in higher rates, due to the recovery of the full increase  
 11 plus the deferred balance and carrying charges, than if the  
 12 authorized revenue requirement had been implemented at the outset.  
 13 This neither prevents rate shock nor fosters customer understanding  
 14 of the bills received.

15 The present rates and charges for Citizens' sewer service, as  
 16 modified by this Decision are as follows:

SEWER USAGE RATES	Current	Approved
Residential	\$ 17.80	\$ 30.00
Commodity Charge per		
1,000 gallons	-0-	\$ 1.20
Gallons in Minimum	-0-	1,000
Gallons Billed	-0-	1,000 - 7,000
Commercial	\$ 25.30	\$ 45.00
Commodity Charge per		
1,000 gallons	\$ .50	\$ 1.20
Gallons in Minimum	-0-	7,000
Gallons Billed		Excess of 7,000
Riverside	\$ 12.80	\$ 25.00
Commodity Charge per		
1,000 gallons	-0-	\$ 1.20
Gallons in Minimum	-0-	1,000
Gallons Billed	-0-	1,000 - 7,000

RV Parks - Per Space	\$ 5.10	\$ 9.00
Commodity Charge per		
1,000 gallons	-0-	\$ 1.20
Gallons in Minimum	-0-	7,000
Gallons Billed	-0-	Excess of 7,000

**SERVICE CHARGES**

Establishment, Reestablishment, Reconnection, or Disconnection		\$25.00
Sewer Only		\$20.00
Sewer and Water	\$10.50	\$25.00
Reconnection - Delinquency	\$26.50	\$40.00
After Hours		

**VI. MISCELLANEOUS MATTERS**

Staff has requested that Citizens be ordered to comply with the following recommendations: submit annual report data on a property specific basis which separates the subject water and wastewater operations from other Arizona property; review the depreciation rates for the water and wastewater divisions in accordance with A.A.C. R14-2-102(B)(3) and submit the resultant study to Staff no later than June 1, 1990; submit with its next rate application a tax study detailing the differences between booked income taxes and filed income taxes; and revise the billing system to permit the provision of billing data by meter size in the next rate proceeding. Citizens has no objections to these recommendations. The recommendations are reasonable and should be adopted.

Applicant has requested that the Commission approve for all of Citizens' Arizona operations Staff's proposal to amortize the liability balance for CIAC over a period of years in an amount equal to the average depreciation rate for the property involved. Staff did not express a position on this matter. The Commission finds that the request is reasonable and should be approved.

1                   \*                   \*                   \*                   \*                   \*  
2       Having considered the entire record herein and being fully  
3 advised in the premises, the Commission finds, concludes, and orders  
4 that:

5                                   **FINDINGS OF FACT**

6       1.   Citizens is an Delaware corporation engaged in the  
7 business of providing public utility electric, gas, water, sewer,  
8 and telecommunications service in Arizona pursuant to authority  
9 granted by the Commission.

10       2.   On November 14, 1988, Citizens filed with the Commission  
11 a joint application requesting an increase in the rates and charges  
12 for water and wastewater service.

13       3.   Citizens mailed a copy of the notice of hearing to each  
14 of its customers.

15       4.   The public hearing in this matter was held in Bullhead  
16 City, Arizona on July 18, 19, and 20, 1989.

17       5.   For ratemaking purposes, Citizens' fair value rate base  
18 is \$6,521,047 for the water division and \$3,319,088 for the  
19 wastewater division.

20       6.   Applicant's adjusted test year operating income is  
21 \$351,511 for the water division, based upon operating revenues of  
22 \$2,362,310 and operating expenses of \$2,010,799.

23       7.   For the wastewater division, Applicant's adjusted test  
24 year operating income is (\$145,275), based upon operating revenues  
25 of \$824,558 and operating expenses of \$969,833.

26       8.   A fair and reasonable rate of return on fair value rate  
27 base is 8.60% for the water division and 8.95% for the sewer  
28 division.

1        9. For the water division, the required increase in gross  
2 annual revenues is \$342,667. or 14.51%.

3        10. For the wastewater division, the required increase in  
4 gross annual revenues is \$718,064, or 87.08%.

5        11. The rates and charges for Citizens' water service as set  
6 forth hereinabove are reasonable and should be adopted.

7        12. The rates and charges for Citizens' sewer service as set  
8 forth hereinabove are reasonable and should be adopted.

9        13. Citizens should be required to amend its wastewater  
10 tariff, 6th Revised Sheet No. 4, to conform to the Company's current  
11 practice of billing in arrears.

12        14. Staff has recommended that Citizens be ordered to: submit  
13 annual report data on a property specific basis which separates the  
14 subject water and wastewater operations from other Arizona property;  
15 review the depreciation rates for the water and wastewater divisions  
16 in accordance with A.A.C. R14-2-102(D)(3) and submit the resultant  
17 study to Staff no later than June 1, 1990; submit with its next rate  
18 application a tax study detailing the differences between booked  
19 income taxes and filed income taxes; and revise the billing system  
20 to permit the provision of billing data by meter size in the next  
21 rate proceeding.

22        15. Staff's recommendations, as set forth in Finding of Fact  
23 No. 14, are reasonable and should be adopted.

24        16. Citizens has requested approval to implement for all of  
25 its Arizona operations Staff's proposal to amortize the liability  
26 balance for CIAC over a period of years in an amount equal to the  
27 average depreciation rate for the property involved.  
28

17. Citizens' request, as set forth in Finding of Fact No. 16, is reasonable and should be adopted.

18. Late-filed exhibits A-26 and A-27, revised August 2, 1989, should be admitted into the record.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §40-201, et seq.

2. The Commission has jurisdiction over Citizens and the subject matter of the application.

3. Notice of this matter was provided in accordance with law.

4. The rates and charges set forth hereinabove for the provision of water and sewer service are reasonable and should be adopted.

5. Applicant should be directed to comply with Staff's recommendations, as set forth in Finding of Fact No. 14.

6. Citizens' should be authorized to implement its CIAC request, as set forth in Finding of Fact No. 16.

ORDER

IT IS THEREFORE ORDERED that Citizens is hereby directed to file on or before March 1, 1990 revised tariffs setting forth the rates and charges authorized herein for the provision of service by the Mohave Water and Wastewater Divisions.

IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective for service provided by the Mohave Water and Wastewater Divisions on and after March 1, 1990.

IT IS FURTHER ORDERED that Citizens shall notify its Mohave Water and Wastewater customers of the rates and charges authorized

1 herein and the effective date of same by means of an insert in the  
2 next regular monthly billings for water and sewer service.

3 IT IS FURTHER ORDERED that Citizens shall amend its wastewater  
4 tariff, 6th Revised Sheet No. 4, to conform to the Company's current  
5 practice of billing in arrears.

6 IT IS FURTHER ORDERED that Citizens shall submit annual report  
7 data on a property specific basis which separates the subject water  
8 and wastewater operations from other Arizona property.

9 IT IS FURTHER ORDERED that Citizens shall review the  
10 depreciation rates for the Mohave Water and Wastewater Divisions in  
11 accordance with A.A.C. R14-2-102(B)(3) and shall submit the  
12 resultant study to Staff no later than June 1, 1990.

13 IT IS FURTHER ORDERED that Citizens shall submit with its next  
14 rate application for the Mohave Water and Wastewater Divisions a tax  
15 study detailing the differences between looked income taxes and  
16 filed income taxes.

17 IT IS FURTHER ORDERED that Citizens shall revise the billing  
18 system to permit the provision of billing data by meter size in the  
19 next rate proceeding for the Mohave Water Division.

20 IT IS FURTHER ORDERED that Citizens is hereby authorized to  
21 implement for all of its Arizona operations Staff's proposal to  
22 amortize the liability balance for CIAC over a period of years in  
23 an amount equal to the average depreciation rate for the property  
24 involved.

25 IT IS FURTHER ORDERED that late-filed exhibits A-26 and A-27,  
26 revised August 2, 1989, are hereby admitted into the record.

27  
28

1 IT IS FURTHER ORDERED that this Decision shall become effective  
2 immediately.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
4

5   
6 CHAIRMAN

COMMISSIONER

7   
8 COMMISSIONER

9 IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive  
10 Secretary of the Arizona Corporation Commission,  
11 have hereunto set my hand and caused the  
12 official seal of the Commission to be affixed at  
13 the Capitol, in the City of Phoenix, this  
14 1 day of February, 1990.

15   
16 JAMES MATTHEWS  
17 EXECUTIVE SECRETARY

18 DISSENT \_\_\_\_\_  
19 babs

20 See attached concurrence of Commissioner Dale H. Morgan.  
21  
22  
23  
24  
25  
26  
27  
28

007001000

Concurrence of Commissioner Dale Morgan  
Docket No. E-1032-88-290

I concur in this order despite my strong objection to one of its provisions. That provision, located at p. 8, lines 1-7 and 18-28, concerns the order's adoption of Staff's adjustment to payroll expense on the basis of budgeted estimates. I object to the inclusion of this provision in the order on the grounds that it constitutes inappropriate ratemaking policy and establishes a bad precedent for future cases.

Rate recognition for company expenses should be based upon actual expenses incurred during a historic test year adjusted for any known and measureable changes. Budgeted estimates of expenses are not actual, known or measureable and provide no basis upon which to draw informed ratemaking conclusions. In this case, the conclusion that any variance between actual and estimated expenses is represented exclusively by position vacancies is completely unwarranted. Such a variance could be explained by any number of other factors.

Despite these objections, I concur in this order rather than delay necessary rate relief for this company. Additionally, the value of the adjustment is relatively minor and, as a practical matter, would not significantly affect the rates ordered in this case.

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAY 5 1995

DOCKETED BY

SS

RENZ D. JENNINGS  
CHAIRMAN  
MARCIA WEEKS  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF )  
PARADISE VALLEY WATER COMPANY, AN )  
ARIZONA CORPORATION, FOR )  
ADJUSTMENTS TO ITS RATES AND )  
CHARGES FOR UTILITY SERVICE. )

DOCKET NO. U-1303-94-182

DECISION NO. 59079

OPINION AND ORDER

PRE-HEARING:

January 19, 1995

DATES OF HEARING:

January 23, 24, and 25, 1995

PLACE OF HEARING:

Phoenix, Arizona

PRESIDING OFFICER:

Jerry L. Rudibaugh

IN ATTENDANCE:

Renz D. Jennings, Chairman  
Marcia Weeks, Commissioner

APPEARANCES:

RILEY, CARLOCK & APPLEWHITE, by Mr.  
Norman D. James, on behalf of Paradise Valley Water  
Company;

FENNEMORE CRAIG, P.C., by Mr. C. Webb  
Crockett, on behalf of Paradise Valley Country Club;

Ms. Elaine A. Williams, Attorney, on behalf of the  
Residential Utility Consumer Office; and

Mr. Paul A. Bullis, Chief Counsel, and Ms. Karen E.  
Nally, Staff Attorney, Legal Division, on behalf of the  
Utilities Division of the Arizona Corporation  
Commission.

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EXHIBIT

S-5

Admitted

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**BY THE COMMISSION:**

On April 29, 1994, Paradise Valley Water Company ("Applicant" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting a hearing to determine the "fair value" of its property for ratemaking purposes, to fix a just and reasonable rate of return, and thereafter to approve rate schedules designed to produce said return. On May 31, 1994, the Commission's Utilities Division Staff ("Staff") filed a notice in this docket that the application met the sufficiency requirements of A.A.C. R14-2-103 and that the Company has been classified as a Class B utility.

On June 15, 1994, the Residential Utility Consumer Office ("RUCO") requested intervention which was granted on June 27, 1994. On September 21, 1994, the Paradise Valley Country Club ("Country Club") requested intervention which was granted on October 18, 1994.

This matter came before a duly authorized Hearing Officer of the Commission at the Commission's offices in Phoenix, Arizona on January 23, 1995. Applicant, the Country Club, RUCO and Staff appeared through counsel. Evidence was presented and, after a full public hearing, this matter was adjourned pending submission of a Recommended Opinion and Order by the Presiding Officer to the Commission.

**I. INTRODUCTION**

Applicant provides water service within portions of the Town of Paradise Valley, the City of Scottsdale, and certain unincorporated areas within Maricopa County, Arizona. All of the Company's certificated area is located within the Phoenix Active Management Area. During the test year ("TY") ended December 31, 1993, the Company provided water service to approximately 4,300 customers. The majority of Applicant's customers are residential customers, many of whom own large dwellings situated on large lots with extensive landscaping and improvements. Applicant serves the Country Club and two other turf-related facilities, several large resorts, and other commercial customers who require relatively large quantities of water. Applicant also sells water for resale to Mummy Mountain Water Company, another certificated utility. The Company requested an increase in revenues of \$508,323 or approximately 20 percent. Staff recommended a gross revenue increase of \$278,432 or 11.02 percent. RUCO recommended a gross revenue increase of \$23,698 or less than one percent.

## II. RATE BASE

The Company proposed an original cost rate base ("OCRB") of \$3,792,726. This was a substantial increase over the \$2,251,947 OCRB as determined in Decision No. 58419, dated September 30, 1993. The majority of the increase in OCRB occurred because of the addition of Well No. 17 into service subsequent to the issuance of Decision No. 58419. Both Staff and RUCO recommended several adjustments to the Company's proposed OCRB. Staff and RUCO's recommended OCRB were \$3,674,960, and \$3,410,779, respectively.

### A. Post-In-Service AFUDC

RUCO, Staff and the Company were in agreement that the accounting standards promulgated by the National Association of Regulatory Utility Commissioners ("NARUC") normally require allowance for funds used during construction ("AFUDC") to cease once the plant is completed and placed in service. In this case, the Company has requested to extend the AFUDC allowance to include the period from its "in service" date of Well No. 17 through May 1995 to compensate the Company for the perceived effects of "regulatory lag".

Staff and RUCO both opposed the Company's post-in-service AFUDC. Staff was critical of the Company for not requesting prior approval to continue to record post-in-service AFUDC. Further, Staff was of the opinion that NARUC Accounting Instruction No. 19, subpart 17, requires that "AFUDC shall cease" when a project is placed in operation or is ready for service. RUCO asserted that the Company's alleged regulatory lag works in both directions in that there is also plant included in rate base earning a return on a certain amount even though that amount will be depreciated each year. As an example, RUCO indicated that in 1992 the Company added plant-in-service in the amount of \$133,000 while depreciation accruals totaled \$148,000. In response to the Company's citations of cases in other state jurisdictions which permitted post-in-service AFUDC, RUCO asserted those cases dealt primarily with billion dollar nuclear projects which often take years to build. According to RUCO, the Company's construction of Well No. 17 did not result in "dire financial" problems comparable to construction of a nuclear plant.

We concur that the general rule is to cease accruing AFUDC when the plant is placed in service. Further, we believe that RUCO's "two-sided effects" argument provides an insight as to why

1 it is normally fair to cease accruing AFUDC. In this case however, we are presented with the issue  
2 as to whether or not the relative size of the Company's investment in Well No. 17 would merit  
3 departure from normal accounting treatment. We believe such departure is justified under the  
4 circumstances of this case: the investment in question is approximately 40 percent of the Company's  
5 previous investment in its entire system; the in-service date occurred shortly after the Company's  
6 previous rate case decision; and the Company has done an excellent job of keeping its interest costs  
7 at a reasonable level.<sup>1</sup> As a result of the above, we will approve the Company's post-in-service-  
8 AFUDC in the amount of \$40,498. We note that Staff had an additional disallowance for AFUDC  
9 in the amount of \$12,523 which the Company did not oppose.

10 B. Plant Held for Future Use

11 The Company included a back-up pump in its OCRB in the amount of \$7,544.38. RUCO  
12 recommended removal of this amount since it was property that was being held for future use and was  
13 not currently being used in the provision of water service.

14 In response, the Company indicated that the pump on Well No. 15 had become inoperable and  
15 a new pump was installed. Subsequently, the Company had the old pump rebuilt to be used in the  
16 case of another pump failure. According to the Company, it can take up to three weeks to rebuild  
17 or purchase a new pump. Consequently, the Company was of the opinion that maintaining a spare  
18 pump was a benefit to its customers.

19 RUCO disagreed with the Company's response. RUCO indicated that if the Company's  
20 rationale was accepted, the Company could replicate its entire plant to be held as stock in case of an  
21 emergency.

22 Although the rebuilt pump is not currently being used, we do find it useful and prudent to  
23 maintain it as a backup pump. Accordingly, we must deny RUCO's recommended removal of  
24 \$7,544.38 from OCRB.

25 C. Materials and Supplies Inventory

26 The Company had included the end of the TY amount of \$28,293 as representative of its on-

27 \_\_\_\_\_  
28 <sup>1</sup> The Company has requested post-in-service AFUDC based on a short-term borrowing  
rate of 4.32 percent.

1 going materials and supplies inventory. Because that amount was significantly above the two previous  
2 year ending levels, Staff reduced the inventory level by \$6,216 to reflect the average balance over the  
3 last three years. According to Staff, it is more appropriate to use an average value to reflect a  
4 normalized level for a fluctuating inventory amount rather than an end of TY amount which may not  
5 be reflective of the average inventory level.

6 In response, the Company indicated that the inventory level has increased as a result of  
7 changed procedures by the Company. According to the Company, it has determined that its parent  
8 company, American Water Works Company ("AWWC"), can purchase materials and supplies on a  
9 national contract at a significant savings over purchasing materials from a local vendor on an  
10 emergency basis. As a result, the Company had to increase its inventory level. The Company  
11 provided a copy of its response to Staff data request JLF-109 as an exhibit to the rebuttal testimony  
12 of Mr. David Stephenson apparently to demonstrate the savings resulting from a national purchasing  
13 contract.

14 We concur with Staff. In this case, we find an average inventory level is more representative  
15 of the on-going level rather than the high end of TY level. Although the Company has put forward  
16 a reasonable argument for increasing its on-going inventory level, we are unable to conclude from the  
17 JLF-109 data response that there are demonstrative savings resulting from a national purchasing  
18 contract.

19 D. Construction Work-In-Progress

20 Staff recommended the Company's proposed rate base be adjusted by \$24,175 for removal of  
21 construction work-in-progress ("CWIP"). According to Staff, this amount was already included in the  
22 Company's pro forma adjustments to rate base.

23 In response, the Company indicated that Staff had only allowed \$60,933 for construction costs  
24 for the Miller Road Booster Station Project. The Company acknowledged that the \$60,933 amount  
25 was provided to Staff by the Company. According to the Company, the \$60,933 amount was only  
26 for the 1992 period and did not include \$24,175 of construction costs from 1993. Consequently, the  
27 Company asserted that Staff's proposed \$24,175 adjustment was not proper.

28 Staff subsequently agreed with the Company's position. We concur.

1 E. Chlorinator Parts

2 The Company included \$3,161 in TY expenses for the rebuilding of four chlorinator units.  
3 According to Staff, the rebuilding of these units would increase the life of the units by three to five  
4 years. Staff was of the opinion that this would constitute a plant betterment as defined in the NARUC  
5 Uniform System of Accounts. As a result, Staff recommended disallowing the expense amount of  
6 \$3,161 and increasing rate base by \$6,812.<sup>2</sup>

7 In response, the Company agreed that repairing the chlorinator facilities will extend the life  
8 of the plant. However, the Company indicated that the replacement of the parts is an anticipated  
9 maintenance item in order for the original expected life of the chlorinator facilities to be reached. The  
10 items that were repaired or replaced were clamp rings, o-rings, valve bodies, springs, valve seats,  
11 filters, valve heads, spare parts, yokes and switchover modules. Since these are clearly not retirement  
12 units, the Company asserted they should not be capitalized.

13 We concur with the Company. While it appears these items could be either expensed or  
14 capitalized, we find that the Company's approach is reasonable and should be approved.

15 F. Meter Boxes

16 The Company included \$1,066 in TY expenses for work on 15 meter boxes. According to  
17 Staff, the meter boxes represent a retirement unit and should be capitalized since they benefit more  
18 than the current year. Staff recommended disallowance of the expense amount of \$1,066 and  
19 increasing rate base by \$4,806.<sup>3</sup>

20 In response, the Company asserted the meter boxes were not a retirement unit. According to  
21 the Company, the cost of these items is very minor while the amount of paperwork to retire and  
22 capitalize every meter box would be substantial.

23 We concur with the Company. Based on the average cost of \$71.07 per meter box repaired,  
24 these appear to be minor repairs which were appropriately expensed.

---

26 <sup>2</sup> The difference in Staff's capital adjustment and expense adjustment resulted from  
27 Staff's sampling method as subsequently discussed.

28 <sup>3</sup> The difference in Staff's capital adjustment and expense adjustment resulted from  
Staff's sampling method as subsequently discussed.

1 G. Miscellaneous Adjustments

2 The following are adjustments which RUCO or Staff proposed and the Company subsequently  
3 concurred with:

4	<u>Adjustment</u>	<u>Amount</u>
5	1. Staff adjustment to accumulated depreciation	(\$51,129) <sup>4</sup>
6	2. RUCO adjustment for retired meters	0 <sup>5</sup>
7	3. Staff and RUCO adjustments to Cash Working Capital	
8	A. Accrued Vacation Pay	(\$17,400)
8	B. Prepaid CAP Costs	(\$30,695)
9	C. Deferred CAP Expenses	(\$29,260)
10	4. Staff and RUCO adjustments for a double count for costs for a Comprehensive Planning Study ("CPS")	(\$ 7,448)

11 H. Working Capital

12 The Company performed a lead/lag study of its cash working capital requirements. That study  
13 showed a requirement of \$6,100, which the Company included as a component of the working capital  
14 portion of rate base. Staff and RUCO recommended downward adjustments to the Company's  
15 proposed cash working capital in the amount of \$38,200 and \$42,623, respectively.

16 The primary adjustment made by Staff and RUCO were removal of "non-cash" items such as  
17 depreciation expenses and deferred income taxes from the calculation. RUCO removed rate case  
18 expense amortization from the lead/lag study. RUCO also determined that the Company had  
19 inadvertently failed to include TY pension expenses in the expense lag calculation for which RUCO  
20 made an adjustment using a 45-day lag period.

21 In response, the Company was critical of the proposed adjustments for the "non-cash" items  
22 as well as the rate case expense amortizations. According to the Company, the appropriateness of  
23 these adjustments are based on "opinions and not requirements or hard and fast rules". Further, the  
24 Company asserted that the Company rate base will be understated unless the depreciation accrual and  
25

---

26 <sup>4</sup> A reduction in accumulated depreciation will result in a corresponding increase to  
27 OCRB.

28 <sup>5</sup> The adjustment to plant-in-service is offset by a corresponding adjustment to accumulated depreciation.

1 rate case expense amortization are accounted for in the cash working capital calculation. Although  
2 the Company concurred with RUCO's inclusion of TY pension expenses, the Company indicated the  
3 appropriate lag day should have been zero, not 45 days as used by RUCO. The Company also  
4 acknowledged that it had originally provided RUCO with the erroneous 45 day information.

5 As we have stated in numerous other decisions, the calculation is for "cash working capital"  
6 and not "cash and non-cash working capital". Similarly, the Commission recently indicated in  
7 Decision No. 58360, dated July 23, 1993, that it was appropriate to remove rate case expenditures  
8 from the cash working capital requirement. Based on all the above, we will approve RUCO's  
9 proposed adjustment, as corrected, using a zero lag period for the pension expenses. The resulting  
10 adjustment would be a decrease in cash working capital of \$40,228.

11 I. Monthly Compounding of AFUDC

12 RUCO was critical of the Company for compounding AFUDC on a monthly basis. According  
13 to RUCO, such compounding artificially inflates the Company's construction expenditures and  
14 corresponding rate base. This problem was recognized by the Federal Power Commission in Order  
15 No. 561 in which it prohibited monthly compounding of AFUDC:

16 We agree that the compounding of AFUDC is proper in theory and  
17 necessary as a matter of sound cost determination; however, we believe  
18 that a monthly compounding of AFUDC as suggested by some  
19 respondents may result in excessive amounts capitalized since cash  
outlays for interest and dividends are not normally made on a monthly  
basis. We therefore permit compounding but no more frequently than  
semiannually.

20 In addition, RUCO noted that the Commission has previously accepted Order No. 561 in Consolidated  
21 Water Company, Decision No. 58260, dated April 23, 1992.

22 The Company acknowledged it does not pay dividend payments on a monthly basis, but it does  
23 pay interest expense monthly. Further, the Company asserted that funds for construction are supplied  
24 by internally generated funds and retained earnings. When those sources are not available, the  
25 Company must use new debt. Since it must pay interest costs on a monthly basis on total debt, the  
26 Company opined that the avoided cost method would require monthly compounding. The Company  
27 also noted that Order No. 561 applies to federally regulated gas utilities and not medium-sized  
28 Arizona water utilities.

1 We concur with RUCO that compounding of interest can artificially inflate rate base especially  
2 if done on a monthly basis. Further, consistent with Decision No. 58260, if any compounding of  
3 interest is to be allowed it should not be more frequent than semi-annually. Accordingly, we will  
4 order the Company to modify its AFUDC accrual methodology and compound no more frequently  
5 than semi-annually.

6 J. Payment-in-Lieu-of-Revenues

7 The Commission in Decision Nos. 58221, dated March 24, 1993, and 58423, dated October  
8 14, 1993, granted the Company's request to approve agreements entered into with developers for the  
9 Monterey Homes and Lincoln Estates subdivisions, respectively. Each of the agreements contained  
10 the following provisions:

- 11 A) The developers will construct the distribution facilities necessary to service the homes  
12 they will build;
- 13 B) Upon completion of the distribution facilities, the developers will transfer ownership  
14 of the facilities to the Company in exchange for a loan to the Company in the amount  
15 of the total construction cost; and
- 16 C) The developers agreed to make payments to the Company for each lot which does not  
17 have permanent water service in order to compensate the Company for the cost of  
18 owning, operating, and maintaining the facilities within the development that are not  
19 serving customers. These payments are referred to as payments-in-lieu-of-revenues  
20 ("PILORS").

21 RUCO was critical of the manner in which the Company treated PILORS for rate-making  
22 purposes. In particular, RUCO criticized the Company for including the cost of the line extensions  
23 in rate base and for including depreciation expenses on 100 percent of the line extension costs. Since  
24 the PILORS offset the debt payments that the Company makes to the developer(s) for each  
25 unoccupied lot, RUCO was of the opinion the PILORS are nothing more than another name for  
26 advances-in-aid-of-construction ("advances"). As a result, RUCO recommended several adjustments  
27 to the Company's proposed ratemaking treatment including the following:

- 28 A) Removal of the debt associated with the line extensions from the capital structure;
- B) Remove any unrefunded advance from rate base; and
- C) Remove the depreciation expense on the net advance amount from operating expenses.

Based on the above, RUCO recommended a reduction in rate base in the amount of \$185,705.

In response, the Company asserted the PILOR arrangements are clearly not the same as advances. Unlike an advance, PILORS involve an actual loan which must be repaid. If the Company had utilized advances, this would have constituted taxable income to the utility at a "gross-up" rate of approximately 70 percent. In addition, the Company asserted that even if these were advances, depreciation expense would still be allowed.

We share some of RUCO's concerns regarding the PILOR financing arrangements. However, we find that because of the gross-up of taxes on advances and contributions, that a PILOR arrangement is a reasonable alternative to minimize the risk and costs to the Company and its ratepayers. We do find there is a legitimate loan arrangement and as a result the Company does have an investment in the cost of the line extension. It is also important to note that the two developments in question are building out quickly. In fact, the Company indicated that the Monterey Homes subdivision was almost entirely built-out. As a result, we do not find any shift of risk from the developers to the ratepayers. There may be different scenarios in which the development is a failure whereby RUCO's recommended rate-making approach would be appropriate in order to not shift the cost of the failed development to ratepayers. As a result, we want to make it clear that we will analyze each PILOR arrangement on a case by case basis for the proper rate-making treatment. Based on all the above, we will approve the Company's rate-making treatment of the PILOR arrangements for the Monterey Homes and Lincoln Estates subdivisions.

K. Original Cost Rate Base Summary

Based on the foregoing, the following statement details the adjusted TY OCRB for ratemaking purposes for Applicant:

<u>Applicants Proposed Adjusted Rate Base</u>	\$3,792,726
<u>Commission Approved Adjustments</u>	
AFUDC	(\$ 12,523)
Materials and Supplies	(\$ 6,216)
Miscellaneous	(\$ 33,674)
Working Capital	(\$ 40,228)
PBOPs <sup>6</sup>	(\$ 5,804)
<u>Commission Adjusted Rate Base</u>	\$3,694,281

<sup>6</sup> See subsequent PBOPs discussion involving operating expenses.

### III. RECONSTRUCTION COST NEW RATE BASE

In Schedule B-1 of Applicant's Exhibit No. 1, Applicant presents a jurisdictional reconstruction cost new rate base ("RCNRB") of \$8,496,549. All of the adjustments reflected in our determination of the OCRB are equally applicable to the RCNRB. No change in these adjustments is necessary to restate them in terms of reconstruction cost new. Thus, the RCNRB is \$8,398,104.

### IV. FAIR VALUE RATE BASE

The Commission has traditionally determined the "fair value" rate base ("FVRB") by taking the average of OCRB and RCNRB. No party has suggested that a different weighing be used in this proceeding. Consequently, we find that the adjusted FVRB for the Company is \$6,046,193.

### V. OPERATING INCOME

#### A. Revenue Annualizations

Applicant had actual revenues during the TY of \$2,361,680. The Company adjusted that amount upward by \$168,677. The majority of the revenue adjustment was to normalize revenues to reflect new rates effective October 1, 1993.

The Company began to serve customers in the Monterey Homes and Lincoln Estates subdivisions during the TY. The Monterey and Lincoln subdivisions consisted of 113 and 15 lots, respectively. During the TY, 57 of the lots in the Monterey subdivision had homes which became occupied and 3 of the lots in the Lincoln subdivision had homes which became occupied. The Company removed the consumption for the occupied homes from TY consumption. In addition, the Company adjusted TY revenues to include PILOR revenues as if all 128 of the Monterey and Lincoln lots were unoccupied. The Company also included an adjustment to annualize the number of customers to TY-end levels. This adjustment was based on an annualized level of TY-end bill counts.

Staff included the consumption for the Monterey and Lincoln subdivisions in TY revenues. In addition, Staff recomputed the PILOR revenues to include only those lots which did not have occupied homes as of the end of the TY. The net result of Staff's adjustments was to decrease the Company's proposed TY revenues by \$4,734.

RUCO made an adjustment similar to Staff's related to the consumption of the Monterey and Lincoln customers. In addition, RUCO reversed a Company adjustment for water consumption by

1 Monterey Management, Inc. ("Developer"). During the TY, the Developer utilized water for  
2 construction, model homes, and for common landscape areas, community pool, and recreation  
3 facilities. The Company removed the Developer's consumption from TY revenues. In fact, of the  
4 372 bills the Company removed from the TY bill count, 332 were Developer bills. RUCO argued  
5 that even after completion of all construction, there will still be water consumption for the common  
6 landscape areas, community pool, and recreational facilities. As to the other water consumption by  
7 the Developer, RUCO asserted that permanent customers would replace the consumption of the  
8 Developer.

9 While RUCO agreed that such an adjustment was necessary to annualize the customers to TY-  
10 end levels, RUCO criticized the Company for not including an adjustment for water consumption.  
11 RUCO computed the TY-end number of customers for each customer class and meter size and  
12 multiplied the difference in the number of customers from the TY average number by the average  
13 consumption for each customer class and meter size.

14 In response, the Company asserted that RUCO's proposed revenue adjustments were flawed  
15 and misleading. RUCO has assumed that the customers in the Monterey and Lincoln developments  
16 were consuming at the same level as the average of all of Applicant's 1-inch meter class of residential  
17 customers. The Company indicated it provided in response to RUCO data request 1.37, the actual  
18 consumption for the first six months of 1994 for the Monterey and Lincoln customers. The actual  
19 consumption was 8,800 gallons of water per month which paled in comparison to RUCO's assumed  
20 amount of 53,000 gallons per month.

21 RUCO did not dispute that some of the customers in the Monterey and Lincoln subdivisions  
22 used less than the average for residential 1-inch meters. On the other hand, RUCO pointed out that  
23 the Company has disregarded a Monterey customer whose average TY usage was in excess of 400,000  
24 gallons a month. Lastly, RUCO asserted that if the Company believes the customers of the new  
25 subdivisions will consume far less than the average for other 1-inch meters, the Company should not  
26 have installed 1-inch meters in the subdivisions.

27 Finally, the Company emphasized that RUCO's revenue adjustment was not known and  
28 measurable, and that RUCO did not adjust expenses (other than purchased power) to correspond to

1 its revenue adjustment. According to the Company, other expenses which would increase are postage,  
2 data processing costs, bill forms, and lock box fees.

3 We concur with RUCO that it would be appropriate that the TY revenues be annualized to  
4 reflect the Company's end-of-year customer level, including water consumption. While the Company  
5 may be correct that the usage by the customers in the Monterey Homes and Lincoln Estates may be  
6 less than the system wide average, we find that RUCO's methodology is reasonable under the  
7 circumstances. We also must concur with RUCO's observation that if these customers are not  
8 expected to use anywhere near the average use of other 1-inch meter customers, perhaps they should  
9 be served with 5/8-inch meters at a lower cost. Further, we concur with RUCO's inclusion of the  
10 water consumption by the Developer for the reasons set forth by RUCO. Although we concur with  
11 the Company that expenses should also have been annualized for the increased consumption, we note  
12 this issue was not raised by the Company until after RUCO had filed its surrebuttal testimony. Even  
13 with that, we would have adopted an expense annualization if one had been provided by the Company  
14 in its rejoinder testimony. Based on all the above, we will approve RUCO's proposed revenue  
15 adjustment in the amount of \$88,933.

16 B. Annual Operating Expenses

17 Applicant had actual operating expenses for the TY of \$2,180,301. The Company proposed  
18 pro forma adjustments of \$347,344 for TY adjusted expenses of \$2,527,645. Staff proposed  
19 adjustments which resulted in TY adjusted expenses of \$2,366,513. RUCO proposed adjustments  
20 which resulted in TY adjusted expenses of \$2,356,068.

21 1. Post-Retirement Benefits Other Than Pensions

22 The Company requested a change in the accounting treatment of post-retirement benefits other  
23 than pensions ("PBOPs") from the cash method to the accrual method. According to the Company,  
24 it was required to adopt the accrual method of accounting for financial reporting purposes pursuant  
25 to the Statement of Financial Accounting Standards No. 106 ("FAS No. 106"), which became effective  
26 for the Company as of January 1, 1993. The Company had also requested approval of the FAS No.  
27 106 accrual expenses in its previous rate case. That request was denied in Decision No. 58419. The  
28 Company's request at that time was criticized because: the Company did not have final approval to

1 fund accrual treatment of PBOPs; the assumptions required to be made to determine the proper level  
2 of accrual rendered the accrual method not known and measurable; and the amortization of the  
3 transition obligation presented retroactive ratemaking problems and may not have alleviated  
4 intergenerational inequities.

5 Subsequent to Decision No. 58419, the Company entered into a trust agreement under which  
6 it is obligated to fully fund the FAS No. 106 expense. As a result, the Company indicated the  
7 conditions have changed since its last rate case.

8 Staff and RUCO both opposed the Company's request to switch to the accrual method for  
9 PBOPs. Each cited previous decisions in which the Commission has denied recovery of the FAS No.  
10 106 costs. Although the Company has begun to fund the FAS No. 106 expense, Staff and RUCO  
11 indicated the remaining problems such as retroactive ratemaking, intergenerational inequities, and the  
12 fact that the liability for future obligations to make PBOP payments is not known and measurable,  
13 still exist.

14 According to Staff, the cash method for PBOPs would be the actual costs "paid-out" to current  
15 retirees of the Company. The Company indicated its parent company did not currently compile the  
16 actual costs for retiree benefits by operating company. As a result, the Company utilized an allocated  
17 amount that is paid into the irrevocable trust fund as the cash amount for PBOPs. In a response to  
18 a data request, the Company computed that amount to be \$32,872. Based on the information  
19 available, Staff concluded that amount was reasonable and recommended approval of \$32,872 as the  
20 cash amount for PBOPs for the TY. Consistent with that recommendation, Staff recommended  
21 disallowance of the difference between the \$91,488 accrual amount and the \$32,872 cash amount or  
22 \$58,617<sup>7</sup>.

23 RUCO computed the costs to ratepayers over the next twenty-one years of the cash method  
24 versus the accrual method and determined that the accumulated costs of the cash method was less by  
25 over \$800,000. Furthermore, RUCO calculated it would take 40 years before the cumulative present  
26 value of the cash payments would be greater than the accrual present value. As a result of the above.

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27  
28 <sup>7</sup> The Company had included \$52,813 in expenses and capitalized \$5,804 in rate base.

1 calculations as well as the previous reasons listed, RUCO recommended the Commission continue to  
2 set rates based on the cash method for PBOPs. RUCO recommended removal of \$52,813 from  
3 operating expenses and \$5,804 from rate base for the Company's FAS No. 106 accrual costs.

4 In response, the Company reiterated its position regarding the accrual method for PBOPs. In  
5 addition, the Company argued that Staff had not even allowed enough expenses for the cash method.  
6 Although Staff indicated they had allowed \$32,872 of expenses for the cash method, the Company  
7 asserted that Staff had actually allowed \$13,842 as part of the group insurance costs. According to  
8 the Company, it had paid a net total of \$17,105.45 for retirees based on insurance premiums during  
9 the TY. Further, the Company estimated the actual costs for the cash method for fiscal 1993-1994  
10 was \$31,537. As a result, the Company indicated the minimum expense amount that should be  
11 allowed under a cash approach is \$49,094<sup>8</sup>.

12 RUCO indicated that the Company's requested \$31,537 and \$17,557 amounts do not represent  
13 cash outlays by the Company. The \$31,573 amount is an estimated amount that AWWC paid out  
14 of its trust fund during the 1993-1994 fiscal year to cover retirees' claims while the \$17,557 amount  
15 represents the amount of future post retirement benefits that current employees are deemed to have  
16 earned in the current period.

17 We acknowledge that this Company, unlike most others who have come before the  
18 Commission on the PBOP issue, does have a trust fund set up which is earning a return. We consider  
19 this a positive difference from previous cases regarding the possible adoption of accrual accounting  
20 for PBOPs. However, we are still not convinced that a change from the cash method to an accrual  
21 method which includes past and current costs is appropriate at this time. We are making this decision  
22 based upon an overall comparison of the cash method versus an accrual method which includes  
23 amortization of unpaid obligations ("Transition Costs"). We share some of the Company's concerns  
24 regarding intergenerational inequities. Ideally, each generation of customers will pay the PBOP costs  
25 that directly benefit them and not pay those costs which directly benefit other generations of  
26 customers. The existence of the Transition Costs demonstrates that the cash method does not meet

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28 <sup>8</sup> This amount includes \$17,557 for the portion of PBOP related to current employees.

1 the ideal situation of matching costs and benefits. A change to the accrual method without  
2 consideration of the Transition Costs could provide a better match of costs and benefits. However,  
3 the Company has not indicated a willingness to switch to a straight accrual method without Transition  
4 Costs. Based on the above, we will not recognize for ratemaking purposes the effect of the  
5 accounting change proposed by the Company for post-retirement benefits.

6 That leads us to the next issue which is the appropriate amount to allow for TY expenses for  
7 the cash method. Although the Commission has dealt with the PBOP issue numerous times, this is  
8 the first time there has been disagreement as to the amount of the cash method. This disagreement  
9 is the direct result of the Company's confusing presentation of PBOP costs, group insurance costs,  
10 and various estimated costs. With that all said, we have found that the correct TY amount is the  
11 retirees net group insurance amount of \$17,105.45. Furthermore, we will amend the group insurance  
12 costs to reflect this amount. At the same time, we will remove \$52,813 from operating expenses and  
13 \$5,804 from rate base for the Company's FAS No. 106 accrual costs.

14 2. Group Insurance

15 The Company proposed an upward adjustment to TY group insurance expense of \$22,082.  
16 This adjustment was made to reflect the Company's fully staffed level of thirteen employees and to  
17 include an estimated inflation factor of eight percent for projected costs at the end of 1994. Staff  
18 supported the increase to reflect an employee level of thirteen but opposed the increase to reflect an  
19 eight percent inflation factor. Staff determined that medical insurance premiums were increased by  
20 an inflation factor of four percent in July 1994. Staff proposed a downward adjustment of \$2,040  
21 from the Company's adjustment to reflect an actual four percent inflation rate in lieu of the estimated  
22 eight percent rate. Staff included \$13,748 for insurance expenses related to the cash method for  
23 PBOPs.

24 RUCO recommended a decrease in the Company's proposed group insurance expenses in the  
25 amount of \$13,903. The primary adjustments made by RUCO were attributable to the use of twelve  
26 employees since that was the number during the TY, and for the use of a zero inflation factor. RUCO  
27 also included \$11,770 in group insurance expense as the net cost of insuring the current level of  
28 retirees.

We generally concur with Staff's proposed adjustment. However, it is our understanding that the actual net costs for retirees based on insurance premiums was \$17,105 during the TY. As a result we will increase Staff's adjustment by \$17,105 - \$13,748 or \$3,357. The net adjustment would be an increase to the Company's group insurance expenses in the amount of \$3,357 - \$2,040 or \$1,317.

### 3. Sampling Methodology

Staff examined the Company's TY expenses by testing a sample of 264 expense items. Of those items reviewed, Staff disputed 21 items totaling \$12,266.70. Based on its sampling methodology, Staff recommended a disallowance of \$78,829.42. Pursuant to Staff's methodology, it was determined that each disallowance had a representative value of \$6,812. This value was determined by taking the total population of \$1,798,354 and dividing by the number of sample items of 264. If Staff reviewed an invoice and disputed the total amount, they recommended a disallowance of \$6,812 no matter what was the actual amount on the invoice. If only a portion of the invoice was disputed, then the corresponding ratio of Staff's representative sample amount was recommended for disallowance. The actual amounts disputed and the recommended disallowances are as follows:

<u>Description</u>	<u>Actual Amount</u>	<u>Staff's Disallowance</u>
1. U S West Late Charges	\$ 18.18	\$ 100.62
2. Chlorinator Parts - Capitalize	\$ 3,160.89	\$ 6,812.00
3. Meter Boxes-Capitalize	\$ 752.24	\$ 4,805.87
4. Safety Magazine	\$ 25.00	\$ 6,812.00
5. Prior Rate Case Expense	\$ 118.00	\$ 109.08
6. CAP Legal Fees	\$ 490.00	\$ 648.46
7. CAP Legal Fees	\$ 394.57	\$ 1,955.50
8. CAP Legal Fees	\$ 500.00	\$ 1,573.20
9. CAP Legal Fees	\$ 375.00	\$ 877.43
10. CAP Legal Fees	\$ 469.56	\$ 1,697.07
11. CAP Legal Fees	\$ 2,150.20	\$ 4,161.80
12. CAP Legal Fees	\$ 340.90	\$ 2,064.00
13. CAP Legal Fees	\$ 1,172.25	\$ 1,441.36
14. Director/Fiduciary Insurance	\$ 32.00	\$ 1,493.04
15. Safety Incentive Program	\$ 135.00	\$ 6,812.00
16. Safety Luncheon	\$ 549.91	\$ 6,812.00
17. Out of Period Tuition	\$ 101.00	\$ 6,812.00
18. Out of Period Tuition	\$ 139.00	\$ 6,812.00
19. Lobbying Legal Fees	\$ 928.00	\$ 6,812.00
20. Chamber of Commerce	\$ 290.00	\$ 6,812.00
21. Board of Director's Fees	\$ 125.00	\$ 3,406.00
Total	\$12,266.70	\$78,829.43

1       The Company criticized Staff's sampling interval as not being rational. The Company asserted  
2 that Staff has erroneously assumed that all TY expenses have similar characteristics and probability  
3 of errors. In addition, the sample interval was developed using the adjusted population instead of the  
4 total dollar amount of sample items. According to the Company, it would have been more appropriate  
5 to determine the percentage of disallowance from the sample items and relate that ratio to the entire  
6 population.

7       As to the actual amounts disputed by Staff, the Company only challenged the chlorinator  
8 expenses, meter box expenses, and the Board of Director ("BOD") fees. The Company indicated the  
9 BOD fees were increased from \$125 to \$250 per meeting, per outside director, as of July 1, 1993.  
10 According to the Company, this was a recurring, known and measurable change and should be  
11 accepted.

12       As previously discussed, we concur with the Company regarding the chlorinator expenses and  
13 meter box expenses. We also concur with the Company's inclusion of the BOD fees of \$250 per  
14 meeting as being known and measurable. The aforementioned adjustments reduce the actual amount  
15 disputed to \$8,228.57. As to the overall disallowance, we concur with the Company that Staff has  
16 not demonstrated all TY expenses have similar characteristics and probability of error. Accordingly,  
17 we will reject the representative value utilized by Staff. Although it would normally be appropriate  
18 to apply the percentage of error from the sample to the total population, we will not do so in this  
19 case. Since RUCO has also recommended disallowances, an application to the total population can  
20 result in a duplicate disallowance.

21 ..  
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27 ...  
28 ...

1           4.     Miscellaneous Adjustments

2           Staff made several adjustments which were subsequently supported by the Company. As a  
3 result, we will approve those adjustments as listed below:

<u>Adjustment</u>	<u>Amount</u>
Arizona Department of Water Resources Groundwater Fee	\$ 55
Arizona Department of Environmental Quality Phase II and Phase V Water Treatment and Testing	\$ 800
Removal of Temporary Help	(\$ 2,405)
Removal of Main Repair outside of TY	(\$26,000)
Update Lobbying Percentage for National Association of Water Companies	(\$ 427)
Total	(\$27,977)

10           5.     Rate Case Expenses

11           The Company had TY rate case expenses based on the two previous rate case Decision Nos.  
12 57834 and 58419 of \$39,570. The Company has requested an additional \$70,000<sup>9</sup> of forecasted rate  
13 case expense for this case amortized over two years or \$35,000 per year. In addition, the Company  
14 requested the balances for the previous rate case expenses be re-amortized over two years at an annual  
15 rate of \$26,000. As a result, the Company proposed a pro forma adjustment to rate case expense in  
16 the amount of [ $\$35,000 + \$26,000 - \$39,570$ ] or \$21,430 for a total annual rate case expense of  
17 \$61,000.

18           Staff generally agreed with the Company's proposal for re-amortizing the previously approved  
19 rate case expense. However, Staff recommended using the balance as of May 1995 of \$35,560 which  
20 would result in an annual amortization of \$17,780 instead of the Company's proposed \$26,000. In  
21 addition, Staff criticized the Company's current rate case expenses as being excessive for a utility with  
22 less than 5,000 customers. In comparison to other utilities of similar size, Staff determined that the  
23 Company's rate case expenses were much higher. For example, the rate case expense for the most  
24 recent Pima Utility Company, Inc. ("Pima") case was \$10,000. Pima has over 5,000 customers and  
25 is both a water and sewer company. Another similar size company, the Consolidated Water Utilities,  
26 Ltd., was authorized \$21,000 for a recent rate case. Staff also indicated that the Sun City Water  
27

28           <sup>9</sup>     The Company subsequently increased its forecast to \$76,300.

1 Company was authorized \$23,000 for a recent rate case with over 20,000 customers.

2 Staff determined that \$32,000 of the Company's \$70,000 of rate case expense was for legal  
3 fees. Staff was of the opinion that many of the hourly estimates of the Company were inflated.  
4 According to Staff, the following Company estimates could have been reduced by at least one-half:  
5 the Company estimated 40 hours for the Hearing; 20 hours to prepare rebuttal testimony; 30 hours  
6 for a post-hearing brief; and 32 hours to prepare cross-examination.

7 Staff was also critical of the Company's hours for non-legal preparation. While the Company  
8 allowed 200 hours for rebuttal testimony preparation, Staff was of the opinion that 100 hours was a  
9 more reasonable estimate. Staff recommended elimination of an amount of \$4,000 for a stipulation  
10 meeting. According to Staff, it is unreasonable for the Company to request substantial time for a  
11 hearing and at the same time include expense for a settlement meeting. Staff also recommended  
12 elimination of one-half of the \$6,000 requested for a cost of service study. According to Staff, the  
13 Company did not perform a cost of service study but had simply applied the revenue requirement  
14 from the current case to a prior cost of service study prepared by Staff. Lastly, Staff recommended  
15 disallowance of a \$3,000 expense for a "field trip" for personnel of the Western Region of American  
16 Water Works Service Company ("AWWC Western Region") to familiarize themselves with the  
17 Company's plant. According to Staff, the personnel of the AWWC Western Region should already  
18 be familiar with the operating companies which it serves. Any additional information could be gotten  
19 through telephone and/or written exchanges.

20 Based on all the above, Staff recommended rate case expense of \$44,850 for this case. The  
21 following is a breakdown of that amount:

22	Legal	\$19,150
23	Case Preparation	\$ 9,000
24	Rebuttal Testimony	\$ 3,000
25	Hearing	\$ 9,200
26	Miscellaneous	<u>\$ 4,500</u>
27		\$44,850
28		

1 RUCO also criticized the Company's request for a \$3,000 "field trip" for AWWC Western  
2 Region personnel. According to RUCO, the AWWC Western Region already has the records of  
3 Applicant in California and would not need to visit the plant location. As a result, RUCO  
4 recommended disallowance of the \$3,000 amount. In addition, RUCO believed it would be  
5 inappropriate to allow a utility to recover prior unrecovered rate case expense. RUCO was of the  
6 opinion that the amortization period for rate case expense was the estimate of time that rates are  
7 reasonably expected to be in effect. Since it is an estimate, it is normal for some under or over  
8 recovery of rate case expense. Since over recovery of rate case expenses are never refunded to  
9 ratepayers, RUCO asserted it is not fair to allow the Company to recover prior under collected rate  
10 case expenses. Accordingly, RUCO recommended denial of the Company's request to reamortize  
11 prior rate case expense.

12 In response, the Company concurred with Staff's recommendation on amortization of the  
13 balance of the previous rate cases. The Company asserted that there was no justification for Staff's  
14 adjustments for the current case. According to the Company, it has little control over the legal fees  
15 incurred in a rate case since it must react to what Staff and intervenors recommend. The Company  
16 believes that those recommendations largely control the rate case expense, and not the size of the  
17 Company as Staff has attempted to utilize for comparison purposes. As to the cost of service study,  
18 the Company indicated that it took a significant number of hours to input bill analysis data. In fact,  
19 the Company witness deleted "many, many hours that could have been billed".

20 In reply, Staff criticized the Company for not presenting a straight-forward case and for  
21 providing contradictory information or incomplete answers to data requests. Further, Staff noted that  
22 personnel of the AWWC Western Region involved in the rate case are already allocating portions of  
23 their time via the monthly charges already included in operating expenses. Lastly, even if there were  
24 a significant amount of time to input bill analysis data for the cost of service study, Staff asserted that  
25 data entry is a function which should not be billed at the same rate as a cost of service analysis.

26 The Company didn't dispute Staff's assertion that Staff had not asked an excessive number  
27 of data requests. However, the Company argued that the number of RUCO's questions were clearly  
28 excessive and that RUCO's intervention was the primary cause of the Company's rate case expense.

1 With one exception, the Company noted that the personnel involved in the preparation of the rate case  
2 did not allocate any costs to the Company as part of the monthly AWWC Western Region invoices.  
3 According to the Company, the data entry for the cost of service study was billed at 50 percent of  
4 the normal rate of their cost of service expert.

5 The Company's rate case expenses are clearly excessive in comparison to other similarly sized  
6 utilities. We concur with RUCO and Staff that the "field trip" for AWWC Western Region personnel  
7 was either unnecessary or was a one-time nonrecurring plant visit. We concur there were other hourly  
8 estimates that were excessive, such as 40 hours for hearing time and 30 hours for a post-hearing brief.  
9 We also concur with Staff that it is unreasonable to include \$4,000 for a stipulation meeting while  
10 including substantial time for a hearing. While there is evidence of excessive rate case expense, it  
11 is difficult to precisely quantify the dollar amount. We note that this case was similar to the  
12 Company's previous rate case in which the Commission allowed \$40,000 of rate case expense to be  
13 amortized over a two year period. We acknowledge that the intervention of RUCO in this case  
14 probably would have resulted in additional time and effort by the Company. We must conclude there  
15 should be some increase in allowed rate case expense over the previous case but certainly not a 75  
16 percent increase. Based on all the above, we will allow 50 percent of the proposed increase of  
17 \$36,300 over the rate case expenses allowed in the Company's previous case. Accordingly, we will  
18 allow total rate case expense of \$58,150 (current case) plus \$35,560 (previous rate cases) or \$93,710  
19 amortized over two years at an annual rate of \$46,855. This will result in a reduction of \$14,145  
20 from the Company's annual request of \$61,000.

21 6. Central Arizona Project Municipal and Industrial Capital Charges

22 The Company made a pro forma adjustment of \$67,851 to reflect the projected Municipal and  
23 Industrial ("M&I") capital charges for 1995. The M&I charges are contractual annual charges  
24 assessed by the Central Arizona Conservation Water District ("CAWCD") that the Company must pay  
25 in order to retain its CAP allocation. There are charges which are required to be paid whether CAP  
26 water is taken or not. The M&I charges are assessed based on the amount of CAP allocated to the  
27 Company in question.

28 Staff recommended denial of any current recovery on the basis that existing customers were

receiving no benefits from the M&I charges. Staff acknowledges that the Commission has previously approved these charges for another water company<sup>10</sup>, however, that company was actually using CAP water. Staff listed several alternative recommendations in which the M&I costs would be included in rate base if the Company could provide a plan to use CAP water.

The Company did not dispute Staff's recommendation for removal of the \$67,851 of M&I charges from expenses. In fact, the Company proposed the use of Alternative I, CAP 2000, as presented in the November 9, 1994 Commission workshop. Pursuant to that methodology, the Company would amortize over a 25 year period the deferred CAP expenses above-the-line. Those deferred costs total \$190,882 as set forth below:

Prepaid Expenses	\$ 29,261
Supplemental Study Deferred Expenses	\$102,258
Deferred CAP Expenses	\$ 30,693
CAP Costs from Expenses	\$ 5,557
CAP Cost paid Nov. 1994	<u>\$ 23,113</u>
	<u>\$190,882</u>

This would result in an annual charge to customers of \$7,635, which is more than offset by the benefits customers have received. Because of its CAP allocation, the Company was granted a 100 year assured water supply status from the Arizona Department of Water Resources ("ADWR"). This has allowed the Company to serve new residential subdivisions with 150 residential customers which resulted in fixed costs being spread over a larger customer base. The Company estimated the annual savings to established customers would be approximately \$41,000 which would more than offset the \$7,635 cost. The Company recognized that adoption of Alternative I, CAP 2000 will preclude recovery of future CAP expenses.

In response, Staff indicated they would not recommend approval of Alternative I, CAP 2000 until the following conditions are met by the Company:

- (1) A feasibility plan should be filed for review and approved by Staff which details how, when and why CAP water will or will not be utilized;
- (2) Staff should be allowed to audit the \$190,882 of deferred CAP charges to determine the appropriate amount for future recovery from ratepayers; and

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<sup>10</sup> See Decision No. 57395, dated May 23, 1991, concerning the Chaparral City Water Company.

- 1           (3)    The Company must agree that it will not seek to recover from the general body of  
2                   ratepayers any future CAP charges related to current CAP allotment.

3   Subject to the aforementioned conditions, Staff recommended the Company be allowed to recover an  
4   annual surcharge assessed against customers of record in December of each year commencing with  
5   December of 1995. Based on the above, Staff recommended the Company be ordered to file its  
6   feasibility plan by June 30, 1995. Staff would then conduct an audit of the Company's prior CAP  
7   charges and file a report in this docket with comments and recommendations. As part of its rejoinder  
8   testimony, the Company agreed to Staff's conditions and recommendations. We concur.

9           RUCO opposed Staff's recommendation to allow any recovery of CAP deferral costs.  
10   According to RUCO, the Staff recommendation is contrary to Decision No. 58419 in which the  
11   Commission stated, "CAP costs should not be recovered through rates until the utility is actually  
12   receiving CAP water". RUCO asserted that a "feasibility plan" regarding CAP usage does not provide  
13   any current benefit to ratepayers. RUCO was of the opinion that the Company should not be allowed  
14   to recover the CAP deferrals if it decides not to use the CAP water.

15           We find that the developers of new subdivisions in the Company's service territory were the  
16   primary beneficiaries of the Company's CAP allocation. Without the 100 year assured water supply  
17   designation resulting from the CAP allocation, new subdivisions could not have been developed.  
18   Even with that said, we must disagree with RUCO's assertion that current ratepayers have received  
19   no benefits. The Company has demonstrated that the annual charges to customers from the CAP  
20   deferrals would be more than offset by the benefits customers have received. Because the CAP costs  
21   have been escalating, the Company has made a rational decision to not burden its general body of  
22   ratepayers for future CAP costs. We believe the Company should be commended for modifying its  
23   position on CAP water and not attempt to continue with a plan that may have been reasonable at  
24   inception but would clearly be an economic burden to ratepayers. Based on all the above, we concur  
25   with Staff's recommendations.

26           7.    Property Taxes

27           The Company adjusted property taxes upward by \$20,411 to reflect the estimated property  
28   taxes for Well No. 17. Staff annualized the Company's most recent property tax bill which resulted

1 in a \$18,321 increase over TY property taxes and a \$2,090 downward adjustment from the Company's  
2 proposal. Staff and RUCO were critical of the Company's use of an Arizona Department of Revenue  
3 ("DOR") formula which has been disallowed on numerous occasions by this Commission. According  
4 to Staff and RUCO, the DOR formula is based on Company projections of plant and revenues as well  
5 as many variables such as assessed value ratio. In fact, the assessed value ratio has decreased since  
6 the Company's application and will continue to decrease one percent per year through 1997. Staff  
7 did recompute the most recent property tax bill with the most recent assessed value ratio which  
8 resulted in a \$11,000 reduction. However, Staff acknowledged that the most recent bill appeared to  
9 not include Well No. 17 which may have offset the change in the assessed value ratio. Staff  
10 concluded that the only known and measurable amount was the most recent property tax bill.

11 In response, the Company proposed an additional upward adjustment to property taxes in the  
12 amount of \$13,107 or \$33,518 above the TY amount. The Company arrived at its revised property  
13 tax amount by use of the most recent assessment value ratio and the revenue level recommended in  
14 this proceeding.

15 We concur with Staff and RUCO. Consistent with the previous Commission decisions, the  
16 Company's proposed property tax adjustment is not known and measurable.

17 8. Purchased Pumping Power

18 The Company made a pro forma adjustment of \$6,984 to increase purchased pumping power  
19 expense in order to coordinate well production expense with the Company's adjusted level of  
20 consumption and to reflect well usage to include Well No. 17.

21 As a result of its analysis, RUCO concluded that the Company's calculation contained a  
22 number of errors. First, RUCO asserted that the historical power data used by the Company in its  
23 pumping power calculations was inaccurate. In addition, RUCO indicated that the Company had  
24 failed to update the energy costs based on the most recent APS rates. Based on RUCO's  
25 recalculation, the Company's proposed pumping power should be reduced by \$21,505. RUCO's  
26 proposed adjustment was offset by a \$5,598 increase in order to reflect RUCO's additional pumping  
27 power requirements for its consumption annualization for year-end level of customers. Lastly, RUCO  
28 proposed a downward adjustment of \$115 to non-pumping purchased power to reflect the APS rate

1 change.

2 Staff updated the Company's purchased power costs to reflect the most recent APS rates. As  
3 a result, Staff recommended a downward adjustment of \$18,469 in TY power expenses. Staff also  
4 proposed an increase of \$1,717 to reflect the consumption for the Monterey and Lincoln subdivisions.

5 The Company subsequently recalculated its purchased power expense based on adjusted power  
6 usage for its wells, the availability of Well No. 17, and the most recent APS rates. Based on its  
7 recalculation, the Company proposed a downward adjustment of \$25,185 to purchased power  
8 expenses. The Company concurred with RUCO's proposed (\$115) adjustment for non-pumping  
9 power. After review of the Company's revision, Staff revised its adjustment to an overall reduction  
10 of \$25,286. The Company did not dispute Staff's revision.

11 Based on all the above, we concur with the adjustments to reflect the updated APS rates for  
12 both the pumping and non-pumping power for a total adjustment of (\$25,401). Consistent with our  
13 revenue adjustments herein, we also concur with RUCO's \$5,598 adjustment to reflect additional  
14 power requirements for its consumption annualization. We will partly offset the RUCO adjustment  
15 with the \$1,717 adjustment by Staff for increased consumption. According to the Company, the  
16 purchased power would need to be increased by \$32,851. We will approve the Company's purchased  
17 power adjustment to reflect the additional water production. The overall net result is an upward  
18 adjustment of \$11,331 to the Company's original purchased power request.

19 9. Payroll Expenses

20 The Company made a \$61,736 pro forma increase to TY operations and maintenance labor  
21 expenses. The majority of the adjustment was to increase the TY number of twelve employees to a  
22 normalized level of thirteen. The Company also adjusted labor expenses to include a 1994 salary  
23 increase.

24 Staff generally concurred with the Company's pro forma adjustment. In fact, based on Staff's  
25 calculations the Company's pro forma adjustment needed to be increased by another \$36,714.

26 RUCO criticized the Company's normalization to include thirteen employees. According to  
27 RUCO, the Company had only twelve employees during the TY and any increase would create :  
28 mismatch between the number of employees and the corresponding customer base. RUCO also

1 criticized the Company's inclusion of a four percent across-the-board wage increase when not all of  
2 the employees actually received a four percent increase. RUCO recommended using the actual July  
3 1994 increase since it was now known. Lastly, RUCO indicated the Company had included a double  
4 count of some construction wages. Based on all the above, RUCO recommended a decrease of  
5 \$45,109 to the Company's proposed wage level.

6 In response, the Company concurred with RUCO's adjustment with the exception of the  
7 number of employees. According to the Company, it had thirteen employees as of November 27,  
8 1994. Further, the last employee to be hired was the Operations Manager as it took a seven month  
9 search to find the appropriate person. The Company requested the \$47,500 salary for the Operations  
10 Manager should be added to RUCO's proposed payroll level. The result would be an increase of  
11 \$2,391 to the Company's original proposal.

12 We concur with the Company. We find that normalization of the number of employees is  
13 reasonable. We would be more concerned with the increase in TY employees if the Company's  
14 customer base was growing rapidly. However, that is not the case and we will approve the  
15 Company's additional adjustment of \$2,391.

16 10. Payroll Taxes

17 The Company had requested payroll taxes in the amount of \$29,788. Staff recommended  
18 increasing that amount by \$1,917 to reflect Staff's recomputed wage levels. RUCO proposed a  
19 decrease of \$7,185 to reflect its recommended wage levels.

20 In response, the Company disagreed with the number of employees used by RUCO in its  
21 calculation. In addition, the Company indicated RUCO had not utilized the most current payroll tax  
22 rate in its calculation. The Company revised its payroll taxes upward by \$232 to reflect its payroll  
23 update.

24 Consistent with our payroll determination, we concur with the Company. Accordingly, we will  
25 approve the Company's \$232 adjustment.

26 11. Capitalization of Payroll Benefits

27 For every dollar of payroll expended, the Company capitalizes an appropriate level of payroll  
28 benefit expense. Based on its proposed capital payroll, RUCO recommended a \$2,379 reduction in

1 payroll benefit expense.

2 The Company agreed with RUCO that an adjustment was necessary. However, based on the  
3 Company's computation the proper adjustment should be (\$2,021). Consistent with our previous  
4 determination, we concur with the Company. Accordingly, we will approve the Company's (\$2,021)  
5 adjustment.

6 12. Transportation Expense

7 The Company made a \$15,378 adjustment to TY transportation expenses in order to normalize  
8 the cost of replacing Company owned vehicles with newer leased vehicles. Staff concurred with the  
9 Company's proposed normalization. However, Staff updated the Company's lease rates and as a  
10 result recommended an additional \$430 increase.

11 RUCO analyzed the transportation expenses and recommended a downward adjustment of  
12 \$5,982. The primary reason for RUCO's adjustment resulted from the Company's double counting  
13 certain lease expenses for a seven month period.

14 The Company acknowledged in a response to a RUCO data request that it had inadvertently  
15 double counted five TY lease payments on a dump truck. As a result of Staff and RUCO's  
16 recommendations, the Company recomputed its transportation expenses with a net reduction of \$2,257.

17 Neither Staff or RUCO opposed the Company's recommended revision. Accordingly, we will  
18 approve a downward adjustment to transportation expenses in the amount of \$2,257.

19 13. Non-Utility Expenses

20 RUCO recommended disallowance of TY expenses in the amount of \$3,334 to remove the cost  
21 of safety awards, Christmas gifts and excess insurance reimbursement. According to RUCO, these  
22 costs are not necessary to the provision of water service and should not be paid by ratepayers. The  
23 cost breakdown is as follows:

24	Safety Incentive Awards	\$ 455
25	Safety Award Luncheon	\$ 550
26	Gifts at Safety Luncheon	\$1,089
27	Christmas Gift Certificates	\$ 560
28	Excess Insurance Reimbursement	\$ 680

1 The Company did not dispute RUCO's proposed adjustments. However, the Company  
2 indicated Staff had already made all of the adjustments except for the insurance reimbursement.

3 In response, with one exception RUCO concurred with the Company. According to RUCO,  
4 there was no adjustment made by Staff or the Company for the Christmas gift certificates.

5 Based on the above, we concur with RUCO's recommendation. However, in order to preclude  
6 a double adjustment, we will approve only an adjustment in the amount of (\$680 + \$560 or \$1,240).

7 14. Depreciation Expense

8 The Company's TY depreciation expenses totaled \$151,471. The Company made a \$167,136  
9 pro forma adjustment to increase depreciation expenses to a total amount of \$318,607. Although the  
10 increase reflected new plant in service, the majority of the adjustment resulted from the Company  
11 changing from a composite depreciation rate of 2.39 percent to 3.96 percent<sup>11</sup>. One of the reasons  
12 given by the Company for the large increase in the composite depreciation rate was that the cost of  
13 removal has increased dramatically in the past twenty years. As an example of significant cost of  
14 removal, the Company referred to the removal, handling and disposal of asbestos cement pipe. In  
15 addition, the Company indicated it has been experiencing a high degree of failures occurring on  
16 plastic polyethylene service line pipe over the past several years. This has resulted in a shorter than  
17 normal average service life for this pipe.

18 Neither RUCO nor Staff opposed the Company's proposed change in depreciation rates. Staff  
19 recalculated the depreciation based on its adjusted plant balances. In addition, Staff removed deferred  
20 depreciation for Well No. 17 which the Company had included in its pro forma adjustment.  
21 According to Staff, there are many additions and deletions of plant which occur between test years  
22 for which no retroactive adjustments are made. For that reason, Staff opposed the retroactive  
23 adjustment for Well No. 17. Staff's overall adjustment totaled (\$3,281).

24 For reasons similar to those given by Staff, RUCO opposed the deferred depreciation for Well  
25 No. 17. RUCO also recalculated the depreciation based on its adjusted plant balances. RUCO's  
26 overall adjustment was a \$22,665 decrease from the Company's proposal.

27 \_\_\_\_\_  
28 <sup>11</sup> Approximately \$126,316 of the adjustment is attributable to the change in depreciation rates.

1       The Company subsequently agree in concept to Staff's adjustment including the removal of  
2 the deferred depreciation for Well No. 17. The Company did take exception to RUCO's removal of  
3 depreciation related to the PILOR arrangements. The Company asserted that even if these were  
4 considered as advances, depreciation expense should be included. Based on the Company's  
5 recalculated depreciation expense, the Company recommended a downward adjustment of \$8,892 to  
6 its original request.

7       Consistent with our rate base discussion, we will reject RUCO's recommendation to eliminate  
8 depreciation related to the PILOR arrangements. We concur with RUCO and Staff that the deferred  
9 depreciation from Well No. 17 should not be included since the Company subsequently removed that  
10 deferred depreciation in its recalculation, we will approve the Company's (\$8,892) adjustment. We  
11 note that we have approved the increased depreciation rate in this case since it was unopposed.

12       15.   Backflow Prevention Program

13       The Company proposed a \$25,000 adjustment to TY expenses for the cost of implementing  
14 a backflow prevention program. In response to a Company request, the Backflow Prevention Device  
15 Inspections, Inc. ("BPDI") company submitted a bid of \$89,993 to develop and administer the  
16 Company's backflow prevention program. The bid for the development phase ("Phase I") of the  
17 program was for \$30,154 while the bid for three years of administrative services ("Phase II") was for  
18 \$59,839.

19       Staff recognized that the initial implementation costs for a backflow prevention program would  
20 be costly. As a result, Staff supported the Company's request.

21       RUCO opposed the inclusion of most of the \$25,000 for the services of BPDI. According to  
22 RUCO, many of the tasks involved with this program are secretarial or administrative in nature and  
23 could be performed by existing Company employees. RUCO was also of the opinion that the  
24 estimated 400 homes per year quoted by BPDI was excessive. Another reason RUCO was critical  
25 of inclusion of the \$25,000 amount was because the focus of the program was on 114 commercial  
26 sites that may require backflow prevention devices. Based on the above, RUCO recommended denial  
27 of the entire \$59,839 for administrative services and \$8,899 of the \$30,154 requested for the  
28 development phase. Of the remaining \$21,255 for the development phase, RUCO recommended those

1 costs be amortized over six years since the program will be focused on only 114 of the approximately  
2 4,000 customers.

3 In response, the Company indicated it did not have a sufficient number of personnel or the  
4 expertise to handle the backflow prevention program. The Company also took exception to RUCO's  
5 assertion that only the 114 commercial customers have the possibility of needing backflow prevention  
6 devices. According to the Company, there are a number of residential customers who also could  
7 possibly require a backflow prevention device.

8 RUCO was skeptical of the Company's assertion that existing employees did not have the  
9 time to perform the various administrative tasks. According to RUCO, the consultant's proposal  
10 indicated 162 hours was needed over a six month period to perform the Phase I tasks. Since the  
11 Company has five office employees, the amount of additional work would be less than an hour and  
12 a half per employee per week. As to the scope of the backflow program, the statement regarding the  
13 114 commercial accounts was based on information provided by the Company. RUCO asserted that  
14 if additional sites have backflow problems, the Company's tariff requires the customer to bear the cost  
15 of complying.

16 We find that a backflow prevention program will benefit all customers and accordingly the  
17 non-site specific costs should be borne by all customers. As to the amount requested, it was based  
18 on a bid process. Absent some evidence that another individual/firm would establish the program  
19 at lesser hours/costs, we must conclude the bid was reasonable. Accordingly, we will approve the  
20 Company's \$25,000 adjustment for implementing a backflow prevention program.

21 16. Service Company Charges

22 The Company is billed monthly for services rendered on its behalf from AWWC by the  
23 Belleville Lab and the AWWC Western Region Office.<sup>12</sup> RUCO determined that the Service  
24 Companies had billed Applicant for additional expenses of \$4,521 for its 1993 rate case. RUCO  
25 recommended disallowance of those expenses.

26 Staff had also recommended a disallowance of \$109 related to a AWWC Western Region  
27

28 <sup>12</sup> Collectively hereinafter referred to as "Service Companies".

employee attending a Commission Open Meeting related to a previous rate case. RUCO had included \$454 in its \$4,521 amount for meals, lodging and travel expenses related to the same Open Meeting expenses disallowed by Staff.

The Company subsequently concurred with the \$454 disallowance but did not address the remaining portion of RUCO's recommended \$4,521 disallowance.

Based on the evidence presented, it is our understanding that the entire \$4,521 amount is related to previous rate cases. Further, that amount is over and above the amount previously allowed by the Commission for rate case expenses. As a result, we will approve RUCO's recommended disallowance of \$4,521.

#### 17. Statement of Net Operating Income

Based on the foregoing, the following statement details the adjusted test year net operating income for ratemaking purposes:

#### Operating Income Summary

<u>Operating Revenues (As Adjusted Herein)</u>	\$2,619,290
<u>Operating Expenses (Per Company)</u>	\$2,527,645
<u>Commission Approved Adjustments</u>	
PBOPs	(\$ 52,813)
Group Insurance	\$ 1,317
Sampling Errors	(\$ 8,229)
Miscellaneous	(\$ 27,977)
Rate Case	(\$ 14,145)
M&I Charges	(\$ 67,851)
Property Tax	(\$ 2,090)
Purchased Power	\$ 11,331
Payroll	\$ 2,391
Payroll Taxes	\$ 232
Capitalization of Payroll Benefit	(\$ 2,021)
Transportation	(\$ 2,257)
Non-Utility	(\$ 1,240)
Depreciation	(\$ 8,892)
Service Companies	(\$ 4,521)
Income Taxes	\$ 73,847 <sup>13</sup>
Total Operating Expenses	<u>\$2,424,727</u>
<u>Net Operating Income</u>	<u>\$ 194,563</u>

<sup>13</sup> Included in this calculation is a tax adjustment of (\$16,194) to reflect synchronize interest and (\$3,720) to reflect ITC amortization and (\$13,767) to reflect amortization of deferred taxes.

1  
2 VI. COST OF CAPITAL3 A. Capital Structure

4 The Company requested approval of its December 31, 1993 capital structure which consisted  
5 of 4.93 percent long-term debt, 40.84 percent short-term debt, and 54.23 percent of common equity.  
6 The Company's capital structure included the \$168,852 of debt associated with its PILOR agreements.  
7 RUCO recommended these be treated as advances in aid of construction and remove them from the  
8 Company's capital structure. RUCO's recommended capital structure consisted of 42.96 percent  
9 short-term debt and 57.04 percent of common equity. Staff concurred with the Company that the  
10 actual capital structure should be used. However, Staff updated the capital structure to September 30,  
11 1994, which consisted of 4.27 percent long-term, 42.12 percent of short-term debt, and 53.61 percent  
12 of common equity.

13 We find that the PILOR associated debt is appropriate to include as part of the Company's  
14 capital structure. Further, we concur with Staff that the most recent capital structure should be  
15 utilized. Accordingly, we will approve a capital structure consisting of 4.27 percent of long-term  
16 debt, 42.12 percent of short-term debt, and 43.61 percent of common equity.

17 B. Cost of Debt

18 The long-term debt consists entirely of debt associated with the PILOR arrangements. The  
19 cost of debt associated with those arrangements is 6.09 percent. We find such a cost to be reasonable  
20 and will approve the same for the Company's capital structure.

21 The cost of the short-term debt is associated with a Mellon Bank short-term line of credit that  
22 is subject to change on a daily basis. The rate is equal to the Average Federal Funds Rate plus 1.00  
23 percent. As of January 31, 1994, the Federal Funds Rate was 3.32 percent. As a result, the Company  
24 requested approval of a short-term rate of 4.32 percent. RUCO used the same rate as part of its cost  
25 of capital analysis. Staff updated the Federal Funds Rate to November 15, 1994, at which time it had  
26 increased to 5.4375. Accordingly, Staff recommended a short-term debt rate of 6.4375 percent.

27 In response, the Company further updated the Federal Funds Rate to December 8, 1994, at  
28 which time it had increased to 5.625 percent. The Company then requested approval of a short-term  
debt of 6.625 percent.

1 While Staff acknowledged the Federal Funds Rate had increased subsequent to November 15,  
2 1994, they did not recommend any additional adjustment. According to Staff, the Federal Funds Rate  
3 will continue to fluctuate and may go up or down. Further, Staff indicated it had already adjusted  
4 the short-term debt cost to a period almost one year beyond the end of the TY.

5 The Company included a forecast from the Mellon Bank which indicates the Federal Funds  
6 Rate would continue to increase in 1995. As a result, the Company requested the most current rate  
7 be used to represent the Company's short-term debt costs. Subsequent to the hearing in this matter,  
8 the Federal Funds Rate was raised on February 1, 1995 to 6.0 percent. On February 2, 1995, the  
9 Company filed a Request for Official Notice ("Request") of the rate increase. Staff opposed the  
10 Request as being too far outside the TY.

11 We concur with the Company that the February 1, 1995 Federal Funds Rate is the best  
12 indicator of the Company's short-term debt costs at this time. While Staff is correct that this rate can  
13 fluctuate either up or down, the current trend is clearly upward. Accordingly, we will approve a  
14 short-term cost of 7.00 percent for the Company.

15 C. Cost of Common Equity

16 The Company was authorized a return on equity of 11.00 percent in its most recent rate case<sup>14</sup>.  
17 The Company indicated in its application that economic conditions had not changed significantly since  
18 Decision No. 58419 and as a result the 11.00 percent rate was still reasonable. RUCO also used the  
19 11.00 percent rate in its analysis.

20 In determining its recommended cost of equity, Staff used the discounted cash flow ("DCF")  
21 model, the Capital Asset Pricing Model ("CAPM") and a comparison earnings analysis. Based on  
22 these various methodologies, Staff determined a range of 9.6 percent to 12.25 percent as the cost of  
23 equity for the Company. Staff recommended the mid-point of that range or 10.925 percent be  
24 approved as the cost of equity in this case.

25 Although Staff's recommended cost of equity was almost identical to the Company's original  
26 request, the Company was critical of Staff's analysis and recommendation of 10.925 percent. The  
27

28 <sup>14</sup> See Decision No. 58419, dated September 30, 1993.

Company concluded that because of its increasingly leveraged capital structure and the trend of increasing interest rates, the Company's common equity investment is more at risk than when it was awarded the 11.00 percent cost of equity.

We find the Company's request to authorize a return on equity of 11.00 percent to be reasonable. Staff's analysis supports the reasonableness of continuing with the currently authorized 11.00 percent rate.

#### Cost of Capital Summary

<u>Capital Components</u>	<u>Percentage of Total</u>	<u>Cost</u>	<u>Composite Cost</u>
Long-Term Debt	4.27%	6.09%	.0026
Short-Term Debt	42.12%	7.00%	.0295
Common Equity	53.61%	11.00%	<u>.0590</u>
			.0911

### VII. AUTHORIZED INCREASE

With adjustments adopted herein, the adjusted TY operating income is \$213,929. Further, the 9.11 percent cost of capital translates into a 5.57 percent rate of return on FVRB as authorized hereinabove. Multiplying the 5.57 percent rate of return by the FVRB produces required operating income of \$336,773. This is \$142,210 more than the Company's TY adjusted operating income. Multiplying the deficiency by the revenue conversion factor of 1.6835 results in an increase in revenues of \$239,411 or a 9.14 percent net increase over TY revenues.

### VIII. COST ALLOCATION AND RATE DESIGN

#### A. Revenue Allocation

The Company generally used an updated cost of service ("COS") study previously performed by Staff. Based on the updated COS study, the Company determined that the smaller meter sizes<sup>15</sup> were contributing negative returns while the larger meter sizes were contributing rate of returns in

<sup>15</sup> Specifically, 5/8 inch, 3/4 inch and 1 inch meters.

excess of 34 percent. Based on its COS study, the concept of gradualism, and its requested increase of \$508,323, the Company proposed the following increases by customer class:

<u>Customer Class</u>	<u>Proposed Increase</u>	<u>Class Percent Increase</u>	<u>Percent of Total Increase</u>
Residential	\$445,665	26.49%	87.70%
Commercial	\$ 51,884	8.81%	10.20%
Fire Protection	\$ 64	1.52%	.01%
Public Authority	\$ 407	10.05%	.08%
Resale	\$ 3,902	7.92%	.77%
Miscellaneous	\$ 930	10.48%	.18%
Turf Irrigation	<u>\$ 5,471</u>	<u>3.33%</u>	<u>1.10%</u>
Class Total	\$508,323	20.32%	100%

Staff reviewed the Company's COS results and made some minor corrections. Staff's recommended increases by customer class are as follows:

<u>Customer Class</u>	<u>Proposed Increase</u>	<u>Class Percent Increase</u>	<u>Percent of Total Increase</u>
Residential	\$241,815	14.30%	86.60%
Commercial	\$ 27,520	4.73%	9.90%
Fire Protection	\$ 0	.00%	.00%
Public Authority	\$ 230	5.68%	.08%
Resale	\$ 3,693	7.66%	1.30%
Miscellaneous	\$ 558	6.13%	.20%
Turf Irrigation	<u>\$ 5,294</u>	<u>3.22%</u>	<u>1.90%</u>
Class Total	\$279,160	11.05%	100%

RUCO criticized the Company's COS study for deviating from American Water Works Association allocation practices. Because RUCO's overall recommended increase was negligible (i.e. \$23,895), RUCO's rate design focused on conservation. RUCO's recommended increases by customer class are as follows:

...

...

...

...

<u>Customer Class</u>	<u>Proposed Increase</u>	<u>Class Percent Increase</u>	<u>Percent of Total Increase</u>
Residential	\$12,291	.71%	51.40%
Commercial	\$10,719	1.63%	44.80%
Fire Protection	\$ 0	.00%	.00%
Public Authority	\$ 55	1.36%	.20%
Resale	\$ 299	.61%	1.30%
Miscellaneous	\$ 135	2.88%	.60%
Turf Irrigation	\$ 397	.24%	1.70%
Class Total	\$23,895	.91%	100%

Because of the large differential in recommended increases in this case, the only meaningful comparison of the proposed increases is the percentage of the total increase recommended by customer class. It is clear that all of the parties have recognized that over 95 percent of any increase granted should apply to the combined residential and commercial classes. Staff and the Company were generally in agreement that by far the largest percentage of increase should go to residential while RUCO recommended the increase to the residential and commercial classes be almost equal. There was general agreement by all of the parties that any portion of the overall increase allocated to the remaining customer classes should not exceed 1.9 percent. The parties also generally agreed that the Fire Protection class should have little if any increase. Based on all the proposals and the evidence in support thereof, we will approve the following increases by customer class:

<u>Customer Class</u>	<u>Approved Increase</u>	<u>Class Percent Increase</u>	<u>Percent of Total Increase</u>
Residential	\$204,282	12.08%	85.30%
Commercial	\$ 27,728	4.76%	11.60%
Fire Protection	\$ 0	.00%	.00%
Public Authority	\$ 196	4.84%	.08%
Resale	\$ 3,929	8.20%	1.90%
Miscellaneous	\$ 174	1.91%	.07%
Turf Irrigation	\$ 3,102	1.90%	1.50%
Class Total	\$239,411	9.14%	100%

B. Monthly Minimum Charges

As in previous cases, this Company and the Commission are still faced with the dilemma of

1 designing rates that will enable the Company to be in full compliance with the Arizona Department  
2 of Water Resources ("ADWR") consumption requirements while not permitting the Company to over  
3 earn. Even with recent drastic changes in the Company's rate design, the rates are relatively low for  
4 the affluent soci-economic area. As a result, the parties were in general agreement that conservation  
5 was still the primary concern for rate design. At the same time it was also generally recognized that  
6 a portion of the overall increase granted should be apportioned to the monthly minimum charges,  
7 albeit at a rate less than the overall increase granted.

8 The Company proposed a 12 1/2 percent increase across-the-board for the monthly minimum  
9 charges. With two exceptions, Staff generally followed the same methodology as the Company with  
10 an across-the-board increase albeit at a 7.1 percent increase to reflect Staff's lower revenue  
11 requirement. The two exceptions were for the 5/8-inch and 3/4-inch meters in which Staff  
12 recommended only a 2.7 percent increase. RUCO recommended the current 1,000 gallons included  
13 with the monthly minimum be removed to reflect that there is no such thing as "free" water. As a  
14 result, RUCO recommended a 30 percent decrease in the 5/8-inch meter size from the current \$5.60  
15 to a new rate of \$3.90. Although the 3/4-inch meter is currently priced the same as the 5/8-inch  
16 meter, RUCO recommended the 3/4-inch meter be priced \$1.60 more than the 5/8-inch meter because  
17 of the larger demand put on the system. In response, the Company indicated that the average monthly  
18 use for both the 5/8-inch and 3/4-inch meters were approximately 20,000 gallons and therefore the  
19 rates should be the same. As the meter sizes increased beyond the 3/4-inch meter, RUCO's  
20 percentage of increase gradually got larger until the increase for the 4-inch and 6-inch meters matched  
21 the Company's proposal. The following is a summary of the current rates by meter size and the  
22 proposed rates by the Company, Staff, and RUCO:

23 ...

24 ...

25 ...

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27 ...

28 ...

Monthly Minimum Charges (Includes 1,000 Gallons)

<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rates</u>		<u>Staff</u>	<u>% Increase</u>	<u>RUCO<sup>16</sup></u>	<u>% Increase</u>
		<u>Company</u>	<u>% Increase</u>				
5/8 "	\$ 5.60	\$ 6.30	12.5	\$ 5.75	2.7	\$ 3.90	(30.3%)
3/4 "	\$ 5.60	\$ 6.30	12.5	\$ 5.75	2.7	\$ 5.50	( 1.8%)
1 "	\$ 9.33	\$ 10.50	12.5	\$ 10.00	7.2	\$ 9.00	( 3.5%)
1 1/2"	\$ 18.67	\$ 21.00	12.5	\$ 20.00	7.1	\$ 19.40	3.9%
2 "	\$ 29.87	\$ 33.60	12.5	\$ 32.00	7.1	\$ 31.00	3.8%
3 "	\$ 56.00	\$ 63.00	12.5	\$ 60.00	7.1	\$ 60.00	7.1%
4 "	\$ 93.33	\$105.00	12.5	\$100.00	7.1	\$105.00	12.5%
6"	\$186.87	\$210.23	12.5	\$200.00	7.0	\$210.00	12.5%

Based on all the evidence, we believe that all of the monthly minimums should bear a fair share of the overall increase. Further, we will generally approve the Company's methodology of an equal percentage increase across-the-board. We also agree that because of the continued need to emphasize conservation, the percentage increase should be less than the overall increase granted in this case of 7.9 percent. Consistent with our overall approved revenue level, we will adopt Staff's proposed increase of 7.0 to 7.2 percent for all meter sizes except for the 3/4-inch meter. We concur with RUCO that the 3/4-inch meters do in fact have a higher capacity than 5/8-inch meters and should be priced to reflect the potential demand. In order to begin to recognize the differential in capacity, we will price the monthly minimum charge for the 3/4-inch meters 25 cents higher than the 5/8-inch meters. Lastly, although we agree with RUCO that there is no "free" water, the Commission will continue its policy to maintain 1,000 gallons in the monthly minimum when feasible. Based on all the above, we will approve the following monthly minimum charges per meter size:

Approved Monthly Minimum Charge (Includes 1,000 Gallons)

<u>Meter Size</u>	<u>Approved Rate</u>	<u>Percent Increase</u>
5/8 "	\$ 6.00	7.1%
3/4 "	\$ 6.25	11.6%
1 "	\$ 10.00	7.2%
1 1/2 "	\$ 20.00	7.2%
2 "	\$ 32.00	7.1%
3 "	\$ 60.00	7.1%
4 "	\$100.00	7.1%
6 "	\$200.00	7.0%

<sup>16</sup> RUCO's proposed rates do not include any gallonage charge.

C. Commodity or Usage Charge

In an effort to encourage water conservation, the Commission in Decision No. 57834, dated April 23, 1992, approved a two-tier commodity rate for residential customers with the second tier taking effect after 30,000 gallons. It was also recognized at the time that a fairly large increase would be necessary at the second tier level if conservation were to succeed in the generally affluent area in which the Company provides service. The Company now proposes to go one step further and add a third inverted tier rate in an effort to encourage conservation by the larger users. The Company chose 80,000 gallons as the starting point for its third tier since 20 percent of the water is used by those customers. The Company also proposed to reduce the starting point for its second tier from the current 30,000 gallons to 20,000 gallons since the average usage for both 5/8-inch and 3/4-inch meters was approximately 20,000 gallons. As to the non-residential customers, the Company proposed to continue with a single tier commodity rate with an increase consistent with its overall proposed increase by customer class. The Company's current and proposed rates are as follows:

Commodity or Usage Charge per 1,000 Gallons

<u>Customers</u>	<u>Company Current</u>	<u>Ratio to Tier # 1 Rates</u>	<u>Company Proposed</u>	<u>Ratio to Tier # 1 Rates</u>
Residential				
1st Tier	\$0.51	1.00	\$0.55	1.00
2nd Tier	\$1.21	2.37	\$1.35	2.45
3rd Tier	NA		\$1.71	3.11
Commercial				
1st Tier	\$0.83		\$0.90	
2nd Tier	NA		NA	
3rd Tier	NA		NA	
Turf Facility Customers				
	\$0.64		\$0.66	
Resale Customers				
	\$1.04		\$1.12	
Public Authority and Miscellaneous				
	\$0.83		\$0.90	

Both RUCO and Staff generally concurred with the Company's proposal to implement a three-

1 tier rate design for the residential class since the average residential usage is among the highest in the  
2 state. While both agreed with the Company's selection of a third tier at 80,000 gallons, both  
3 disagreed with the reduction of the second tier to 20,000 gallons. RUCO's disagreement reflected its  
4 overall revenue recommendation more than anything else. As a result, RUCO recommended retention  
5 of the current 20,000 gallon level. Staff, on the other hand, was concerned that a more gradual  
6 transition was preferable. Accordingly, Staff recommended the second tier start at 25,000 gallons.

7 RUCO also proposed three tiered rates for the commercial customers to encourage  
8 conservation. Consistent with the residential rate design, RUCO recommended the second tier start  
9 at 30,000 gallons of usage. As to the third tier, RUCO focused on the 2-inch meters since  
10 approximately 75 percent of the commercial consumption is attributable to that meter size. Based on  
11 billing data, RUCO determined that 56 percent of the consumption for the 2-inch meter size exceeds  
12 250,000 gallons per month on the average. As a result, RUCO recommended the third tier start at  
13 250,000 gallons. The Company opposed RUCO's three tier proposal for commercial customers since  
14 it would result in rate reductions at various levels of usage for the 1-inch, 1 1/2-inch, and 2-inch  
15 meter customers. According to the Company, this would send the wrong signal. In addition, the  
16 Company was concerned that a drastic change of the commercial rate design while also changing the  
17 residential rate design could result in revenue instability to the Company. Staff and RUCO's proposed  
18 rates are as follows:

19 ...

20 ...

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27 ...

28 ...

Commodity or Usage Charge Per 1,000 Gallons

Excess of Minimum

	<u>Present</u>	<u>Staff</u>	<u>RUCO</u>
Residential:			
1,001 - 30,000 gallons	\$0.51		
Excess of 30,000 gallons	\$1.21		
1,001 - 25,000 gallons		\$0.53	
25,001 - 80,000 gallons		\$1.27	
Excess of 80,000 gallons		\$1.59	
0 - 30,000 gallons			\$0.51
30,001 - 80,000 gallons			\$1.21
Excess of 80,000 gallons			\$1.25
Commercial:			
0 - 30,000 gallons	\$0.83	\$0.87	\$0.70
30,001 - 250,000 gallons	\$0.83	\$0.87	\$0.83
Excess of 250,000 gallons	\$0.83	\$0.87	\$0.87
Turf:			
All usage exceeding 1,000 gallons	\$0.64	\$0.66	\$0.64
Resale:			
All usage exceeding 1,000 gallons	\$1.04	\$1.12	\$1.04
Public Authority:			
All usage exceeding 1,000 gallons	\$0.83	\$0.87	\$0.83

We concur with Staff, RUCO and the Company's proposals to implement a three-tier rate design for the residential class. We concur with the Company's choice and reasons set forth for the selection of the 80,000 gallon level for the starting point for the third tier. We concur with the Company that the starting point for the second tier needs to be reduced to further encourage conservation. We also concur with Staff's recommended gradual transition and will approve a starting point of 25,000 gallons for the second tier. We will continue to approve a ratio of approximately 2.30 to 1.0 between tier two to tier one rates and a ratio of approximately 3.00 to 1.00 between tier three to tier one rates. This will insure there are no decreases in any of the rates while increasing incentives to conserve at higher usage levels. We will approve rates for the commercial, turf, resale, and public

1 authority customers consistent with our approved revenue increase per class. We concur with RUCO  
 2 that there also needs to be incentives for commercial customers to conserve. However, for the reasons  
 3 set forth by the Company we will not adopt an inclining tier rate in this case. We will direct the  
 4 Company to propose an inclining two tier rate design for commercial customers at its next rate case.  
 5 We also note that there was some discussion at the hearing regarding the Company having difficulty  
 6 meeting peak summer demands. As a result, we believe the Company needs to give serious  
 7 consideration to proposing seasonal rates in its next rate case. Our approved commodity rates per  
 8 1,000 gallons in excess of the minimum are as follows:

9 Commodity Charges (Per 1,000 gallons)

10 Class

11 Residential	
12 1,001 - 25,000 gallons	\$0.52
13 25,001 - 80,000 gallons	\$1.23
14 Excess of 80,000 gallons	\$1.52
15 Commercial	\$0.87
16 Turf	\$0.65
17 Resale	\$1.13
18 Public Authority	\$0.87
19 Miscellaneous	\$0.87

20 D. Country Club Agreement

21 The Country Club opposed any increase in rates on the water delivered to the golf course. The  
 22 Country Club has invested in its own distribution system and as a result the Company simply provides  
 23 water to the Country Club's storage facilities during off-peak hours. Further, the water delivered to  
 24 the Country Club is subject to interruption if the Company needs the water elsewhere. The Country  
 25 Club also indicated that the Company's COS study shows the Company is already receiving a 120  
 26 percent rate of return from the golf course. The Country Club recently entered into a long-term  
 27 agreement ("Agreement") (See Exhibit I-1) with the Company which generally approved a monthly  
 28 service charge of \$200 per month and a commodity charge of \$0.64 per thousand gallons. Those

charges would be subject to an annual increase or decrease based on the Consumer Price Index for All Urban Consumers ("CPI") published by the United States Department of Labor, Bureau of Labor Statistics. The Agreement is subject to the approval of the Commission.

We will approve the Agreement between the Country Club and the Company subject to the following conditions:

- (1) The charges contained in the Agreement must reflect those approved in this case;
- (2) The CPI adjustment will commence effective January 1, 1996; and
- (3) The Director of the Utilities Division does not file any objection to the Agreement within 60 days of the date of this Order.

E. Miscellaneous

The Company proposed no changes to any of its miscellaneous charges. Staff indicated that the Company had neglected to recommend a service line and meter installation charge for the 1 1/2-inch meters. As a result, Staff recommended a charge of \$550 which was unopposed. Accordingly, we will approve the inclusion of the \$550 charge as part of the Company's tariff.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Applicant is an Arizona corporation engaged in the business of providing water for public purposes within portions of Maricopa County, Arizona, pursuant to authority granted by this Commission.

2. On April 29, 1994, the Company filed an application with the Commission requesting authority to increase its rates and charges for rate services.

3. On May 31, 1994, Staff filed a notice in this docket that the application met the sufficiency requirements of A.A.C. R14-2-103.

4. Our June 13, 1994 Procedural Order set this matter for hearing commencing January 23, 1995.

5. During the TY ended December 31, 1993, the Company averaged approximately 4,300

1 customers.

2 6. The OCRB, RCNRB and FVRB for Applicant for the TY ended December 31, 1993  
3 are determined to be \$3,694,281, \$8,398,104, and \$6,046,193, respectively.

4 7. Applicant's adjusted TY operating income is \$194,563, based upon adjusted operating  
5 revenues of \$2,619,290 and adjusted operating expenses of \$2,424,727.

6 8. In the circumstances of this proceeding, a rate of return on FVRB of 5.57 percent is  
7 just and reasonable

8 9. Operating income of \$336,773 is necessary to yield a 5.57 percent rate of return on the  
9 FVRB.

10 10. Applicant must increase operating revenues by \$239,411 to produce operating income  
11 of \$336,773.

12 11. Historically, the Company has been using the cash method to account for PBOP costs.

13 12. The cash method of accounting for PBOP costs results in intergenerational inequities  
14 which is reflected by the amount of Transition obligations.

15 13. The Company's future medical costs and retiree participation are not known and  
16 measurable.

17 14. Adoption of the FAS No. 106 method of accounting for PBOP costs for ratemaking  
18 purposes will not result in the intergenerational inequity problem being resolved for several decades.

19 15. Based on the evidence presented, we find the cash method of accounting for PBOP  
20 costs for ratemaking purposes is overall superior to the FAS No. 106 method.

21 16. COS studies, rate continuity, conservation, and simplicity and stability all must be taken  
22 into consideration for rate design purposes.

### 23 CONCLUSIONS OF LAW

24 1. Applicant is a public service corporation within the meaning of Article XV of the  
25 Arizona Constitution and a water utility within the meaning of A.R.S. §§40-250 and 40-251.

26 2. The Commission has jurisdiction over Applicant and of the subject matter of the  
27 application.

28 3. Notice of Applicant's application was given in accordance with the law.

4. The rates and charges for water services proposed by Applicant are not just and reasonable.

5. The rates and charges for water services established hereinafter are just and reasonable.

6. Applicant should be authorized to file revised tariffs for retail services consistent with the above FINDINGS OF FACT and the discussion herein under AUTHORIZED INCREASE AND COST ALLOCATION AND RATE DESIGN.

ORDER

IT IS THEREFORE ORDERED that Paradise Valley Water Company be, and hereby is, authorized and directed to file, on or before May 31, 1995; (1) revised schedules of rates and charges which shall be in accordance with the discussion, FINDINGS OF FACT and CONCLUSIONS OF LAW hereinabove.

IT IS FURTHER ORDERED that such revised schedules of rates and charges shall be effective for all service rendered on and after June 1, 1995.

IT IS FURTHER ORDERED that Paradise Valley Water Company shall notify its customers of means of an insert in its next regularly scheduled billing of the revised schedules of rates and charges authorized hereinabove.

IT IS FURTHER ORDERED that Paradise Valley Water Company shall modify its accrual methodology for allowance for funds used during construction such that interest is compounded no more frequently than semi-annually.

IT IS FURTHER ORDERED that Paradise Valley Water Company shall file a feasibility plan for review and approval of the Director of the Utilities Division which details how, when, and why Central Arizona Project water will or will not be utilized.

IT IS FURTHER ORDERED that the Utilities Division Staff shall conduct an audit of the deferred Central Arizona Project charges and shall file a Staff Report on or before September 15, 1995 in this Docket with comments and recommendations as to the appropriate amount of deferred charges to be recovered from the customers of Paradise Valley Water Company.

IT IS FURTHER ORDERED that effective December 1, 1995, Paradise Valley Company shall commence recovering an annual surcharge of the deferred Central Arizona Project charges determined

1 to be appropriate consistent with the Discussion contained herein.

2 IT IS FURTHER ORDERED that Paradise Valley Water Company shall propose an inclining  
3 two tier rate design for commercial customers as a part of its next rate case.

4 IT IS FURTHER ORDERED that the Agreement (Exhibit I-1) between Paradise Valley Water  
5 Company and the Paradise Valley Country Club is hereby approved effective 60 days from the date  
6 of this Order, subject to the conditions set forth herein.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

9  
10   
11 CHAIRMAN

COMMISSIONER

12   
13 COMMISSIONER

14 IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary of the  
15 Arizona Corporation Commission, have hereunto set my hand and caused the official  
16 seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 5  
17 day of May, 1995.

18   
19 JAMES MATTHEWS  
20 EXECUTIVE SECRETARY

21  
22  
23  
24  
25  
26  
27  
28  
DISSENT  
JLR:dap



1 SERVICE LIST FOR: PARADISE VALLEY WATER COMPANY

2 DOCKET NO.: U-1303-94-182

3

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20

21

22

23

24

25

26

27

28

EXPLANATION OF VOTE

MAY 8 11:40 AM '95

COMPANY: Paradise Valley Water Company

AGENDA NO. 22

DOCKET NO. U-1303-94-182 OPEN MEETING DATE 5-3-95

PREPARED BY: Commissioner Carl J. Kunasek *Carl J. Kunasek*

Because of intergenerational inequities that exist in the cash method for funding Post Retirement other than Pension (PBOP), I oppose the Paradise Valley Water Company Order to the extent it validates an outdated accounting concept that compounds an inequitable financial arrangement. I concur with the Order's finding of fact #12 that states, "The cash method of accounting for PBOP costs results in intergenerational inequities which is reflected by the transition obligation." The Order also finds that, "Adoption of the FAS 106 method of accounting for PBOP costs for ratemaking purposes will not result in the intergenerational inequity problem being resolved for several decades." (Item #14.) I wholeheartedly concur with these findings of fact and am frankly dismayed that my counterparts, who recognize the inequities in the cash method of accounting as evidenced by the findings of fact, would vote against an accounting change that would rectify a potentially disastrous situation.

Even more compelling is the fact that the other 44 states that have addressed the accounting change since the FAS 106 adoption have decided in favor of the accrual accounting treatment. Arizona is the only state to have considered and denied the change.

In addition to my opposition on the FAS 106 issue, I would like the record to reflect that this Order allows for rate adjustments based on increases or decreases in the CPI. Unfortunately, the Commission's position on this issue has been applied only for the Paradise Valley Country Club. Because I believe automatic adjustments are good for consumers over the long term, I would hope to see the Commission adopt this position on a regular basis.

Despite my opposition to the position taken on FAS 106, I voted for this Order to avoid further rate case expense that would have been necessary to reprosecute this case. The time, energy and money exhausted by the Commission's staff, RUCO, the Paradise Valley Country Club and the company for this Order required its approval. This Order's failure would have meant a second case that would have been equally as expensive and it would have been the consumer and the taxpayer that would shoulder this additional burden. For this reason I voted to approve the recommended Order.

*Shelley*

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
RENZ D. JENNINGS  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF  
PARADISE VALLEY WATER COMPANY AN  
ARIZONA CORPORATION, FOR  
ADJUSTMENTS TO ITS RATES AND  
CHARGES FOR UTILITY SERVICE

DOCKET NO. U-1303-96-283

IN THE MATTER OF THE APPLICATION OF  
PARADISE VALLEY WATER COMPANY AN  
ARIZONA CORPORATION, FOR AN  
ACCOUNTING ORDER AUTHORIZING THE  
ACCRUAL OF POST-IN-SERVICE AFUDC  
AND THE DEFERRAL OF DEPRECIATION  
RELATING TO THE CONSTRUCTION OF  
TRANSMISSION MAINS AND RELATED  
UTILITY PLANT.

DOCKET NO. U-1303-95-493

DECISION NO. 60220

OPINION AND ORDER

DATES OF HEARING:

January 21, 1997 (pre-hearing conference). January  
24, 27, and 28, 1997.

PLACE OF HEARING:

Phoenix, Arizona

PRESIDING OFFICER:

Jerry L. Rudibaugh

APPEARANCES:

Mr. Norman D. James, RYLEY, CARLOCK &  
APPLEWHITE, P.A., on behalf of Paradise Valley  
Water Company;

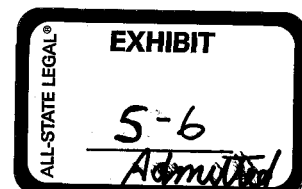
Mr. James P. Beene and Mr. Paul R. Michaud.  
Attorneys, on behalf of the Residential Utility  
Consumer Office; and

Ms. Karen E. Nally, Staff Attorney, Legal  
Division, on behalf of the Utilities Division of the  
Arizona Corporation Commission.

Arizona Corporation Commission  
DOCKETED

MAY 27 1997

DOCKETED BY *guel*



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**BY THE COMMISSION:**

On December 6, 1995, Paradise Valley Water Company ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an accounting order ("Application for an Accounting Order") authorizing the accrual of post-in-service allowance for funds used during construction ("Post-In-Service AFUDC") and the deferral of depreciation relating to the construction of transmission and related utility plant ("Depreciation Deferral").

On April 9, 1996, the Company filed an application requesting a hearing to determine the "fair value" of its property for ratemaking purposes, to fix a just and reasonable rate of return, and thereafter to approve rate schedules designed to produce said return ("Rate Application").

On May 9, 1996, the Commission's Utilities Division Staff ("Staff") filed a notice in this docket that the Rate Application met the sufficiency requirements of A.A.C. R14-2-103 and that the Company had been classified as a Class B utility.

On May 10, 1996, the Residential Utility Consumer Office ("RUCO") requested intervention which was granted on May 21, 1996.

Our May 16, 1996 Procedural Order consolidated the above-captioned matters for purposes of hearing and established deadlines. The matter was set for hearing beginning January 9, 1997. Subsequently, the Company requested a continuance and the matter was rescheduled.

This matter came before a duly authorized Hearing Officer of the Commission at the Commission's offices in Phoenix, Arizona on January 24, 1997. Applicant, RUCO, and Staff appeared through counsel. Evidence was presented and, after a full public hearing, this matter was adjourned pending submission of a Recommended Opinion and Order by the Presiding Officer to the Commission.

**I. INTRODUCTION**

Applicant provides water service within portions of the Town of Paradise Valley, the City of Scottsdale, and certain unincorporated areas within Maricopa County, Arizona. All of the Company's certificated area is located within the Phoenix Active Management Area ("Phoenix AMA"). During the test year ended September 30, 1995 ("TY"), the Company provided water service to approximately 4,400 customers. The majority of Applicant's customers are residential customers, many of whom own large dwellings situated on large lots with extensive landscaping and improvements. Applicant serves the

Country Club and two other turf-related facilities, several large resorts, and other commercial customers who require relatively large quantities of water. Applicant also sells water for resale to Mummy Mountain Water Company, another certificated utility. The Company requested an increase in revenues of \$1,467,899 or approximately 49.38 percent. Staff recommended a gross revenue increase of \$710,559 or 23.85 percent. RUCO recommended a gross revenue increase of \$671,435 or 22.48 percent. The Company subsequently revised its requested increase to \$1,118,301 or approximately 37.42 percent.

## II. RATE BASE

The Company proposed an original cost rate base ("OCRB") of \$8,724,624. This was a substantial increase over the \$3,694,281 OCRB as determined in Decision No. 59079, dated May 5, 1995. Both Staff and RUCO recommended several adjustments to the Company's proposed OCRB. Staff and RUCO's recommended OCRB were \$8,042,828 and \$8,151,240, respectively. The Company subsequently revised its proposed OCRB to \$8,952,845.

### A. Post-In-Service AFUDC

RUCO, Staff and the Company were in agreement that the accounting standards promulgated by the National Association of Regulatory Utility Commissioners ("NARUC") normally require AFUDC to cease once utility plant is completed and placed in service. In Decision No. 59079, the Commission permitted an exception to the general rule and permitted Post-In-Service AFUDC on Well No. 17. The following was extracted from that Decision:

We believe such departure is justified under the circumstances of this case: the investment in question is approximately 40 percent of the Company's previous investment in its entire system; the in-service date occurred shortly after the Company's previous rate case decision; and the Company has done an excellent job of keeping its interest costs at a reasonable level.<sup>1</sup> As a result of the above, we will approve the Company's post-in-service AFUDC in the amount of \$40,498.

The Company requested additional Post-In-Service AFUDC on Well No. 17 in the amount of \$42,463. According to the Company, Decision No. 59079 approved Post-In-Service AFUDC up through September 30, 1994. The Company is now requesting additional Post-In-Service AFUDC on Well No. 17 from September 30, 1994 until June 1, 1995, the effective date of Decision No. 59079. In addition,

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<sup>1</sup> The Company has requested post-in-service AFUDC based on a short-term borrowing rate of 4.32 percent.

1 the Company requested Post-In-Service AFUDC on five major construction projects completed during  
2 the summer and fall of 1996 at a cost of approximately \$4 million. The amount of Post-In-Service  
3 AFUDC on the construction projects totaled \$302,734. The Company asserted that the same criteria set  
4 forth in Decision No. 59079 generally applies in this case. According to the Company, the only criteria  
5 that is not the same is the time frame between the project's completion and when new rates will go in  
6 effect. The Company indicated that the projects in this case will be complete approximately 11 months  
7 before new rates go into effect, not the 18 months of the previous case. Further, the amount of  
8 investment for which Post-In-Service AFUDC was allowed in the last Decision was \$1 million versus  
9 over \$4 million in this case. Lastly, the Company utilized a cost of funds in this case of 9 percent versus  
10 4.32 percent in Decision No. 59079.

11 RUCO and Staff both opposed the Company's Post-In-Service AFUDC adjustments. Both  
12 asserted one of the reasons the Commission allowed \$40,498 in the previous case was reliance on the  
13 Company's representation that was the total amount of Post-In-Service AFUDC. Now the Company is  
14 requesting additional amounts after October 1994 at interest rates ranging from 5.51 percent to 7.02  
15 percent. As to the other five projects, none of those fall within the criteria set forth in Decision No.  
16 59079. None of the projects meet the 40 percent criteria, the projects were all recently completed and  
17 thus little timing differential between in-service dates and the date new rates are in effect, and the interest  
18 rate is double the rate utilized in Decision No. 59079. Further, the Company's alleged regulatory lag  
19 works in both directions in that this is also plant included in rate base earning a return on a certain amount  
20 even though those assets may have been fully depreciated, sold, or retired.

21 We generally concur with the Company on Post-In-Service AFUDC on Well No. 17. Consistent  
22 with Decision No. 59079, we will permit Post-In-Service AFUDC up through May 1995 at an interest  
23 rate of 4.32 percent. The amount of additional Post-In-Service AFUDC allowed is \$28,483. This is  
24 \$13,980 less than the Company requested.

25 As to the Post-In-Service AFUDC on the remaining projects, we concur with Staff and RUCO  
26 that these would not fall within the exception criteria set forth in Decision No. 59079. There is no reason  
27 to permit an exception to the normal NARUC accounting standards for these projects. In fact, as  
28 discussed below the Commission is already giving the Company exceptional treatment for these projects

1 to be in rate base for this case. Accordingly, the Company's request to include Post-In-Service AFUDC  
2 in the amount of \$302,734 for these projects is denied.

3 B. Pro Forma Plant Additions

4 During the summer of 1995, certain customers in the Company's certificated area experienced  
5 periods of low water pressure. In addition, many customers in the Clearwater Hills/Tatum Canyon area  
6 had no water for extended periods each day during the first three weeks of August 1995. As a result, the  
7 Company began to aggressively replace old and undersized transmission mains, add more transmission  
8 capacity, upgrade critical booster stations and increase water production to insure that low water pressure  
9 and service interruptions do not occur in the future. In order to alleviate the water system deficiencies,  
10 the Company made the following capital improvements: 1) Modifications were made to Well No. 17 to  
11 increase the production capacity from 1,500 gallons per minute ("gpm") to 2,400 gpm. The total cost  
12 of the project was \$200,000 and was completed by June 30, 1996; 2) Replaced existing 6" and 8" mains  
13 on or near McDonald Drive with 16" and 24" mains at a cost of \$1,925,000. This project was necessary  
14 to address the inadequacies that resulted in the water outages in the summer of 1995. The project was  
15 completed by June 30, 1996; 3) Replaced existing 8" mains on or near Desert Fairways with 16" mains  
16 at a cost of \$1,425,000. This project was also necessary to address the inadequacies that resulted in water  
17 outages; 4) A new state-of-the-art booster station was added to the Clearwater Hills area. The old  
18 pumping station was unreliable and could not meet summer demand. The project was completed in July  
19 1996; and 5) The Company experienced outages as a result of antiquated U S West Communications, Inc.  
20 leased telephone lines and equipment for its controls system. Consequently, the Company installed its  
21 own distribution monitoring system in conjunction with the McDonald Drive main replacement projects.

22 RUCO recommended approval of the Company's actual expenditures up through September 30,  
23 1996. Of the requested \$4,502,918 of post-TY proforma plant additions, RUCO excluded \$247,629 as  
24 not being known and measurable, nor used and useful. According to RUCO, it would normally  
25 recommend denial of all the post-TY plant additions because of income statement and rate base matching  
26 problems. Normally, plant additions are built to service customers that were not present during the  
27 historical TY. RUCO indicated that generally the matching problems did not exist in this case since the  
28 plant additions were made to address an outdated and inadequate water system for pre-TY growth.

1 RUCO did express concerns that the new plant should generate fewer expenses associated with employee  
2 overtime, fewer maintenance expenses, and a lower cost of purchased power. However, RUCO  
3 recommended operating expense adjustments to alleviate its concerns.

4 Staff indicated that the historical TY concept utilized in Arizona only includes in rate base that  
5 plant which is in service at the end of the TY. In this case, Staff recognized the large amount of plant  
6 investment the Company was making subsequent to the end of the TY. As a result, Staff recommended  
7 inclusion in rate base of more than \$3.9 million of plant additions that were supported by documentation  
8 through mid-September 1996. Staff expressed concerns similar to RUCO's as to the difficulty of  
9 matching rate base and operating expenses as the amount of time beyond the TY increases. Based on a  
10 mid-September 1996 cut-off. Staff recommended \$565,323 of additional construction costs not be  
11 included in rate base.

12 In response, the Company concurred with RUCO and Staff that there needs to be a specific cut-off  
13 point in determining plant additions. The Company requested the cut-off point be October 31, 1996 for  
14 all plant additions, except for the distribution monitoring system. According to the Company, the  
15 following projects were basically completed and accepted by Staff: the Country Club Booster Station;  
16 the Desert Fairways Main; the MacDonald Main; the Clearwater Hills Booster Station; and the trailer  
17 mounted emergency booster. The Company indicated that not all of the costs were paid as of September  
18 30, 1996. As of October 31, 1996, all of the projects were closed with additional construction costs of  
19 \$381,720. As to the distribution monitoring system, the Company requested the cut-off date be extended  
20 to December 31, 1996 because the majority of the costs were incurred during the last quarter of calendar  
21 year 1996. Up through October 31, 1996, the Company incurred additional costs for the distribution  
22 monitoring system in the amount of \$27,253 with additional costs of \$101,256 incurred in November and  
23 December of 1996.

24 While the Commission would normally use a TY cut-off date for including plant in rate base,  
25 there are unique circumstances in this case: 1) the Company's CC&N area is almost completely  
26 developed with little room for growth; 2) the plant added since the end of the TY is generally to correct  
27 system inadequacies that resulted in water outages in 1995; 3) and the magnitude of overall construction  
28 is relatively large. We also recognize that there needs to be a cut-off date that permits RUCO and Staff

1 sufficient time to audit the Company's proposals. In this case, we find that the October 31, 1996 date  
 2 is a logical cut-off date since most of the construction was completed and it would still provide time for  
 3 RUCO and Staff's review as part of their surrebuttal case. We also share concerns expressed by Staff  
 4 and RUCO regarding matching of rate base and operating expense levels. Certain operational areas will  
 5 result in greater efficiencies because of the capital improvements. We will attempt to balance those  
 6 efficiencies with added rate base when reviewing the proper level of operating expenses. By allowing  
 7 the amounts of \$381,720 and \$27,253 up through October 31, 1996, we will reduce Staff's proposed  
 8 disallowance by that amount. Based on all the above, we will disallow \$156,350 of the post-TY plant  
 9 additions.

10 C. Post-Retirement Benefits Other Than Pensions

11 Consistent with the Discussion contained in the operating expense section of this Decision, the  
 12 Company has agreed to remove capitalized post-retirement other than pensions ("PBOPs") from rate  
 13 base. The adjustment recommended by both Staff and RUCO and accepted by the Company would  
 14 reduce rate base by \$9,059. We concur. No adjustment is necessary since the Company has already  
 15 included this in its revised OCRB.

16 D. Miscellaneous

17 Staff had made various adjustments to plant-in-service, accumulated depreciation, advances.  
 18 contributions, and cash working capital for which the Company concurred. RUCO had also  
 19 recommended an adjustment for cash working capital. The amount of these adjustments increased rate  
 20 base by \$22,055 as set forth in Table DPS-2 of Exhibit A-7. No adjustment is necessary since the  
 21 Company has already included this in its revised OCRB.

22 E. Original Cost Rate Base Summary

23 Based on the foregoing, the following statement details the adjusted TY OCRB for ratemaking  
 24 purposes for Applicant:

25 ...

26 ...

27 ...

28 ...

<u>Applicants Proposed Adjusted Rate Base</u>	\$8,952,845
<u>Commission Approved Adjustments</u>	
Well No. 17	(\$ 13,980)
Post-AFUDC	(\$ 302,734)
Post-TY Plant Additions	(\$ 156,350)

<u>Commission Adjusted Rate Base</u>	\$8,479,781
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### III. RECONSTRUCTION COST NEW RATE BASE

In Schedule B-1 of Applicant's Exhibit No. 1, Applicant presents a jurisdictional reconstruction cost new rate base ("RCNRB") of \$14,022,665. All of the adjustments reflected in our determination of the OCRB are equally applicable to the RCNRB. No change in these adjustments is necessary to restate them in terms of reconstruction cost new. Thus, the RCNRB is \$13,549,601.

### IV. FAIR VALUE RATE BASE

The Commission has traditionally determined the "fair value" rate base ("FVRB") by taking the average of OCRB and RCNRB. No party has suggested that a different weighing be used in this proceeding. Consequently, we find that the adjusted FVRB for the Company is \$11,014,691.

### V. OPERATING INCOME

#### A. TY Revenues

Applicant had actual revenues during the TY of \$2,823,579. The Company adjusted that amount upward by \$148,871. The majority of the revenue adjustment was to annualize revenues to reflect end of TY customer levels. Staff is generally in agreement with the Company's adjusted TY amount of \$2,972,450. Based on Staff's determination the correct amount was \$2,979,624. RUCO recommended four adjustments totaling \$13,974. The Company accepted Staff's corrected amount. We concur.

#### 1. Revenue Annualization

RUCO also made an adjustment to annualize revenues to reflect end of TY customers. The Company had individually adjusted each customer by adding in the consumption for the missing months of the TY with the consumption from twelve months later. RUCO used a twelve month period from June 1995 through July 1996 for all the new customers. As a result, RUCO recommended an additional revenue adjustment of \$2,377.

In response, the Company asserted its methodology more closely matched the TY revenues with

1 costs. Further, RUCO's use of nine months of non-TY data results in weather and changed habits  
2 affecting the adjustment.

3 While both RUCO and the Company's methodologies are reasonable, we find the Company's  
4 methodology does more closely match TY revenues and expenses. Accordingly, we reject RUCO's  
5 adjustment.

6 2. Resale Customers

7 RUCO alleged the Company erred in classifying two resale customers as receiving service under  
8 1½" meters. Based on the bill count data, RUCO determined these customers were serviced by a 1"  
9 meter and the other by a 6" meter. As a result of this correction, RUCO increased revenues by \$2,040.

10 In response, the Company agreed with RUCO's adjustment. We concur and will increase TY  
11 revenues by \$2,040.

12 3. Meters

13 According to RUCO, customers serviced under ¾" meters were incorrectly charged \$6.00 per  
14 month instead of \$6.25 per month pursuant to its tariff. RUCO utilized schedules from the Company's  
15 previous case to determine there were 1,454 customers on ¾" meters. RUCO increased TY revenues by  
16 \$4,368 to reflect the higher rates on ¾" meters.

17 In response, the Company indicated it had no ¾" meters. Further, the Company indicated it had  
18 previously erroneously included ¾" meters.

19 Subsequent to hearing, Staff, RUCO, and the Company did a random sample of meters to  
20 determine if the Company had any ¾" meters. Based on the sample results, RUCO, Staff and the  
21 Company agreed there were no ¾" meters in the system. Accordingly, we must reject RUCO's proposed  
22 adjustment.

23 4. Late Fees

24 During the TY, the Company had late fee revenues of \$5,189. As none of those revenues were  
25 included in the Company's application, RUCO proposed an adjustment to increase TY revenues by  
26 \$5,189.

27 In response, the Company agreed with RUCO's proposal. We concur and will approve the  
28 adjustment of \$5,189. No adjustment is necessary since Staff's amount included this adjustment.

1 B. TY Operating Expenses

2 Applicant had actual operating expenses for the TY of \$2,514,434. The Company proposed pro  
3 forma adjustments of \$299,787 for adjusted TY expenses of \$2,814,221. Staff proposed adjustments  
4 which resulted in TY adjusted expenses of \$2,635,538. RUCO proposed adjustments which resulted in  
5 TY adjusted expenses of \$2,646,327.

6 1. Post-Retirement Benefits Other Than Pensions

7 The Company requested a change in the accounting treatment of PBOPs from the cash method  
8 to the accrual method. According to the Company, it was required to adopt the accrual method of  
9 accounting for financial reporting purposes pursuant to the Statement of Financial Accounting Standards  
10 No. 106 ("FAS No. 106"), which became effective for the Company as of January 1, 1993. The  
11 Company had also requested approval of the FAS No. 106 accrual expense in its previous two rate cases.  
12 That request was denied in Decision Nos. 58419 and 59079. The Company indicated it did not wish to  
13 re-litigate the issue but included the accrual amount of \$50.057 for the TY in hope that the Commission's  
14 position has changed.

15 Both RUCO and Staff opposed the Company's request to switch to the accrual method for  
16 PBOPs. Each cited previous decisions in which the Commission has denied recovery of the FAS No.  
17 106 costs. Staff and RUCO were still concerned with problems such as retroactive ratemaking,  
18 intergenerational inequities, and the fact that the liability for future obligations to make PBOPs payments  
19 is not known and measurable. In addition, RUCO indicated that FAS No. 106 accruals include expenses  
20 based on a series of assumptions that can be expected to change. Further, there is no directive that  
21 requires the Company to fund its accrual.

22 At the hearing, the Company agreed to use the cash method for PBOPs for this proceeding.  
23 However, the Company urged the Commission to adopt the accrual method for future cases. The  
24 Company provided the following responses to Staff and RUCO's criticism: actuarial determinations are  
25 self-correcting to ensure proper levels of PBOPs funding; regulation requires that in all cases the funds  
26 may never be utilized by the Company; and, the Commission has the ability to establish guidelines that  
27 protect ratepayers in cases where a utility ceases to fund PBOP trusts.

28 We concur with the parties that continuation of the cash method for PBOPs is proper for this case.

1 Accordingly, we will approve a reduction in TY expenses of \$33,300 to reflect the cash method for  
 2 PBOPs. However, for the reasons set forth by the Company, we find that in future cases the accrual  
 3 method should be utilized by the Company. We want to make it clear that our determination is solely  
 4 for this Company and other determinations will be made on a case by case basis. At the request of the  
 5 Presiding Officer, the parties met and agreed upon certain conditions if the Commission determined the  
 6 Company should be permitted to use the accrual method in its next rate case.<sup>2</sup>

7 The following are the agreed conditions for recognition of accrual based PBOP expense in the  
 8 Company's next rate case:

- 9 • the PBOP expense allowance must meet the conditions of being both reasonable and  
 10 prudent as determined by the Commission;
- 11 • the Company must compute PBOP expense in accordance with Statement of Financial  
 12 Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other  
 13 Than Pensions (SFAS 106);
- 14 • the Company must use reasonable, unbiased, and supportable actuarial assumptions as a  
 15 basis for its calculation of PBOP expense;
- 16 • the Company must fund PBOP expense no less frequently than quarterly, and the amount  
 17 of each payment must represent a ratable portion of the annual PBOP expense;
- 18 • funding deposits must be made in cash to an irrevocable, independently managed external  
 19 Trust;
- 20 • to the extent allowed by law, the Company must maintain a tax deductible status for  
 21 PBOP expense and a tax exempt status for earnings of the Trust;
- 22 • investments made by the Trustee of the Trust must be compatible with meeting PBOP  
 23 obligations as they come due;
- 24 • any accumulated excess of accrual-based over cash-based revenues intended to cover  
 25 PBOP expenses is subject to refund, to the extent PBOP assets cannot be used for PBOP  
 26 expenses or have been used for unauthorized, non-PBOP purposes;
- 27 • disbursements from the trust fund should be limited to payments for the benefits of  
 28 retirees in accordance with the Company's benefit plans, administrative costs of the Trust  
 and other purposes as authorized by the Commission;
- upon termination of the Trust and satisfaction of all PBOP obligations any residual funds  
 are to be utilized only as approved by the Commission; and
- Commission authority for the adoption of SFAS 106 for ratemaking purposes shall  
 commence on a date certain. To the extent a company has recorded expense provisions

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<sup>2</sup> Although RUCO and Staff agreed upon the conditions, they still opposed utilizing the  
 accrual method.

for financial reporting purposes prior to that date, the difference between such recorded amounts and those previously recognized for ratemaking purposes shall be deferred for future regulatory consideration.

## 2. Depreciation Expenses

The Company proposed depreciation expenses in the amount of \$476,655. Staff utilized the same depreciation rates, by plant account, as the Company. However, Staff recommended depreciation expenses be reduced by \$30,473 to reflect the differences in the amounts of original cost plant and contributions-in-aid-of-construction ("CIAC"). RUCO made similar adjustments resulting in a reduction of \$15,423.

Subsequently, the Company accepted Staff's proposed \$30,473 reduction resulting in depreciation expenses of \$446,182. At the same time, the Company adjusted its plant accounts upward to reflect additional constructed plant as well as post-AFUDC. The additional depreciation on the added plant accounts totaled \$37,237. As a result, the Company's revised depreciation expenses totaled \$438,419.

Consistent with the rate base determined herein, we will allow depreciation expenses of \$463,442<sup>3</sup>. Accordingly, we will reduce the Company's original proposal by \$13,213.

## 3. Property Taxes

The Company proposed property taxes in the amount of \$144,391. Staff recommended that amount be increased by \$11,920 to reflect the actual 1996 property tax statement. In response, the Company accepted Staff's property tax amount.

We concur. We will approve adjusted property taxes in the amount of \$156,311.

## 4. Purchased Power

The Company proposed \$877,891 for TY purchased power expense. That amount included a \$14,562 pro forma increase to normalize purchased power based on the Company's pro forma increase in gallons sold due to new customers.

Staff concurred with the Company's pro forma adjustment. However, Staff recommended an additional adjustment reducing power costs by \$29,628 to reflect the APS rate decrease of 3.4 percent as of July 1, 1996. RUCO made a similar adjustment for the APS rate decrease. In addition, RUCO

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<sup>3</sup> Determined as follows: [(Company proposed OCB - Commission approved OCB) - (Company proposed OCB - Staff proposed OCB) x \$37,237] plus \$446,182.

1 discovered that the Company had used incorrect data for production from Wells #16 and #17. RUCO's  
2 correction of the above two errors totaled a decrease of \$43,020.

3 In response, the Company accepted RUCO's corrections. Accordingly, we concur with RUCO's  
4 proposed decrease of \$43,020 in purchased power expense.

5 5. Fees Paid to Mellon Bank

6 The Company included \$15,399 for TY interest expense and facilities charges paid to Mellon  
7 Bank of Pittsburgh, Pennsylvania ("Bank") for a short-term line-of-credit and short-term borrowing.  
8 Staff recommended denial of those expenses as non-operating costs. According to Staff, the Company  
9 has already recovered its line-of-credit costs as part of the Company's cost of capital. RUCO made a  
10 similar adjustment and also recommended denial of the Bank fees.

11 In response, the Company indicated that the line-of-credit fee is determined by quarterly  
12 projections of borrowings. The expense is based on the 25 basis point cost times the quarterly borrowing  
13 requirements as stated in the agreement of \$400,000 for Third Quarter 1996, \$500,000 for Fourth Quarter  
14 1996, \$1,300,000 for First Quarter 1997 and \$1,900,000 for Second Quarter 1997. The applicable fee  
15 for availability of the line-of-credit is \$2,563.

16 Based on the above, we will approve Bank fees in the amount of \$2,563. Accordingly, we will  
17 adopt RUCO and Staff's adjustments in the amount of \$12,836.

18 6. Rate Case Expense

19 The Company requested rate case expenses of \$77,820. Expenses in the amount of \$62,200 were  
20 for the current case and \$15,620 were for prior rate case expense. The Company proposed to amortize  
21 these expenses over a two year period at an annual rate of \$38,910.

22 Staff was critical of the Company's current rate case proposed expenses as well as the deferred  
23 amount from the previous case. According to Staff, the Company's planning and preparation of this rate  
24 proceeding was less than satisfactory, inefficient and as a result caused Staff to utilize additional  
25 discovery requests. Staff noted that in the Company's prior rate case, the Commission determined, "the  
26 Company's rate case expenses are clearly excessive in comparison to other similarly sized utilities." In  
27 that case, Staff had compared the Company's rate cases expenses of \$58,150 with those of Pima Utility  
28 Company, Inc., Consolidated Water Utilities, Ltd., and Sun City Water Company. Staff determined the

1 average rate case expense for those companies was \$18,000 or considerably less than the Company's  
2 \$62,200 requested in this case. Because of the large disparity between other companies. Staff  
3 recommended a disallowance of \$13,150 of the current rate case expense. Even at that, Staff noted its  
4 proposed level of \$45,000 was over two and a half times the average of Staff's comparable companies.  
5 As to the prior rate case expense, Staff determined the unamortized balance at April 1, 1997 would be  
6 \$7,810. Accordingly, Staff recommended the Company's proposed deferred expenses of \$15,620 be  
7 reduced to the \$7,810 amount. In total, Staff recommended the Company's rate case expenses be reduced  
8 by \$25,010 or \$12,505 amortized over two years.

9 RUCO determined the Company's current rate case expense was comparable to the amount  
10 allowed in the prior decision. As a result, RUCO did not take exceptions to the current amount of  
11 \$62,200. However, RUCO made it clear that it would not support any amount in excess of that level.  
12 RUCO opposed the reamortization of prior rate case expense. According to RUCO, reamortization  
13 results in unfair treatment to ratepayers since it allows the Company to collect unrecovered rate case  
14 expense while there is no credit or refunds to ratepayers for over-recovery. RUCO reviewed the  
15 Company's last six rate cases and determined the Company has over-recovered a total of \$77,172 in its  
16 last six rate cases. RUCO was critical of the practice of selecting one expense to allow retroactive  
17 recovery. Accordingly, RUCO recommended denial of the \$7,810 amortization of prior rate case  
18 expense.

19 In response, the Company concurred with Staff's proposal to revise the unamortized balance for  
20 prior rate case expense. The Company indicated that Staff had provided no compelling justification for  
21 reducing the current rate case expenses. In fact, the Company estimated it would exceed its requested  
22 \$62,200 by almost \$10,000. According to the Company, the consolidation of its application regarding  
23 Post-In-Service AFUDC added to the level of rate case expense. Further, the Company cited rate case  
24 expenses for Bella Vista Water Company, Litchfield Park Service Company, and Mohave Water Division  
25 and Mohave Wastewater Division to support the appropriateness of the Company's requested level in  
26 this case.

27 Consistent with our previous decision, we find the Company's requested rate case expenses of  
28 \$62,200 falls within a reasonable range, albeit at the high end. Accordingly, we will approve the

1 Company's proposed \$31,100 amortization over two years. As to the prior rate case expenses, we share  
2 some of the concerns of RUCO of the fairness of selecting one expense category to review for under-  
3 recovery and not for over-recovery. The Commission will continue to review that policy for soundness.  
4 In this case, we will continue to allow prior rate case expense but will update the unamortized balance  
5 as recommended by Staff. Since the rates in this case will be effective on May 1, 1997, the unamortized  
6 balance will be \$3,905. We will approve the re-amortization at the annual rate of \$1,952.50. Based on  
7 the above, we will reduce the Company's annualized rate case expense by \$5,857.50.

8       7.     Payroll Expense

9       The Company included in its application payroll expenses in the amount of \$415,131 which  
10 included a pro forma adjustment of \$37,923. The pro forma payroll was based on the annualization of  
11 13 end-of-TY employees' salaries, annualization of the actual test-year overtime expense, and  
12 annualization of the actual test-year capitalized labor.

13       RUCO disagreed with the Company's pro forma adjustment. According to RUCO the  
14 Company's calculation overstated payroll for the following reasons: 1) Historically, the Company has  
15 operated with less than its full thirteen employee complement; 2) the level of overtime experienced  
16 during the TY was unrepresentative of a normal recurring level of overtime; and 3) the Company has  
17 failed to normalize the capitalized payroll. RUCO attempted to correct for the thirteen employees by use  
18 of a vacancy factor. RUCO calculated an average vacancy rate for 1993 through 1995 of 3.57 percent.  
19 RUCO recommended a \$15,022 reduction to reflect the vacancy rate. RUCO also calculated an average  
20 overtime rate for 1993 through 1995 of 8.25 percent. According to RUCO, the Company experience a  
21 significant number of overtime hours (180 hours) resulting from the Clearwater Hills outage in August  
22 1995. Since the Company has spent over \$4 million to fix the inadequacies of its water system, RUCO  
23 concluded the overtime during the TY to address emergencies such as the Clearwater Hills outage would  
24 not be necessary. This resulted in a reduction in overtime payroll to \$33,478. Similarly, RUCO  
25 calculated an average capitalization rate for 1993 through 1995 of 10.86 percent. This resulted in  
26 \$47,723 for capitalized labor. The net result of all the above adjustments reduced the Company's pro  
27 forma request by \$23,475. Consistent with that adjustment, RUCO recomputed payroll tax and  
28 recommended a \$2,509 decrease.

1 In response, the Company was critical of RUCO's use of a three-year average for payroll expense  
2 when no such average was used for other analysis. As to the vacancy rates for 1993 through 1995, the  
3 Company indicated 1994 was an unusual year with a rate of 6.03 percent versus 1.82 percent and 2.82  
4 percent for the other two years. According to the Company, this occurred because of the unexpected  
5 transfer of a management-level employee as well as having an employee on non-paid disciplinary leave.  
6 Similarly, the Company noted that 1993 had an abnormally low level of overtime hours of 993 versus  
7 2117 and 2158 for the other comparable years. Lastly, the Company opposed use of a three year average  
8 capitalization rate for payroll. Although the Company acknowledged the difference is negligible, they  
9 opposed use of the average rate to be consistent with its other recommendations. In addition, the  
10 Company criticized RUCO for not revising their recommended plant-in-service to reflect the higher  
11 capitalized labor rate. Consistent with the above recommendations, the Company opposed RUCO's  
12 payroll tax adjustment.

13 We agree with RUCO that abnormal expenses should not be included in the adjusted TY  
14 expenses. After reviewing the comparable years, we are not convinced the TY expense levels were  
15 abnormal. However, we find there should be an adjustment to reflect the TY vacancy level which we  
16 find to be 2.82 percent. Accordingly, we will approve a downward adjustment to TY expenses in the  
17 amount of \$11,866.

18 8. Group Insurance Expense

19 The Company requested pro forma group insurance expense of \$57,306. Consistent with its  
20 recommended employee vacancy rate of 3.57 percent, RUCO proposed a reduction of \$2,320 to group  
21 insurance expense to reflect the employee vacancy rate. Staff proposed a reduction of \$14,265 to group  
22 insurance expense to reflect the most current group insurance rate.

23 For the same reasons discussed under payroll expense, the Company opposed RUCO's  
24 adjustment. However, the Company concurred with Staff's proposal. Accordingly, we will adjust group  
25 insurance expense downward by \$14,265.

26 9. Conservation Expense

27 In its application, the Company included \$23,102 of expenses related to various conservation  
28 requirements specified in the Stipulation and Consent Order ("Consent") that the Company entered into

1 with the Arizona Department of Water Resources ("ADWR") in November 1992. As part of the Consent,  
2 the Company had to compile and submit a conservation report on March 31, 1993 and March 31, 1994  
3 for calendar years 1992 and 1993, respectively. The Company expended \$5,640 for the 1992 report and  
4 \$2,640 for the 1993 report. According to RUCO, these are non-recurring costs which should be removed  
5 from TY expenses.

6 In response, the Company agreed with RUCO that the reports will not be required again.  
7 However, the Company asserted that its expense level of \$23,102 will be necessary in order to comply  
8 with the Consent. The Company indicated it spent \$22,135 in 1996 to comply with the Consent.

9 Based on the record, the conservation reports are non-recurring and should be removed from TY  
10 expenses. While the Company has indicated its expenses have remained at the same level, it has not  
11 explained why the non-report expense level has increased by over \$8,000. As a result, we will not accept  
12 the Company's assertion that expenses have increased. Although we concur with RUCO that the \$8,280  
13 amount for conservation reports is non-recurring, we will permit that amount to be amortized over a two  
14 year period at \$4,140 per year. Accordingly, we will adjust the Company's expenses by \$4,140.

15 10. Service Company Charges

16 The Company's parent corporation is American Water Works ("AWW"). AWW allocates various  
17 expenses to the Company for services rendered. During the TY, the expense allocations totaled  
18 \$248,242.

19 RUCO selected a sample of expense items for further examination. As a result of that sample,  
20 RUCO concluded several AWW expense allocations should be disallowed. During the TY, the Company  
21 was charged \$1,410 for accounting services rendered by AWW. The accounting services were needed  
22 because the Company's accounting clerk position was vacant for several months during the TY.  
23 According to RUCO, the Company's inclusion of a normalized level of payroll expense and temporary  
24 labor expenses represents a double count. As a result, RUCO recommended disallowance of \$1,410  
25 amount. Based on its sample, RUCO determined the Company was erroneously charged several expense  
26 items which should have been allocated to California subsidiaries. In addition, RUCO concluded there  
27 were some non-recurring expenses as well as non-utility country club dues. These additional items  
28 totaled \$1,259.

1 The Company concurred with an adjustment of \$1,259. The Company disputed the removal of  
2 \$1,410 for accounting service. According to the Company, it has annual reoccurring needs from AWW  
3 for which the Company is directly charged.

4 We concur with RUCO. We find that the normalization of payroll expense and inclusion of  
5 allocations by AWW for a vacant position would result in a double labor count. Accordingly, we will  
6 approve RUCO's adjustment in the amount of \$2,669.

7 11. Water Outage Expense

8 The Company included expenses of \$10,058 in its application to reflect water outages that  
9 occurred in the summer of 1995. In addition there were \$3,186 in injuries and damages expense related  
10 to the water outages.

11 RUCO concluded that the outages such as the ones that occurred in Clearwater Hills during the  
12 TY were not normal events. Further, with the addition of over \$4.5 million in plant improvements, any  
13 prolonged and severe outages should not recur. As a result, RUCO recommended disallowance of the  
14 \$10,058 in water outages expenses and the \$3,186 in related injuries and damages expenses. RUCO also  
15 noted that the \$3,186 amount was recovered from its insurance carrier in late 1995. Staff made the same  
16 recommendation on the insurance amount of \$3,186.

17 The Company concurred with the removal of the \$3,186 amount reimbursed by the insurance  
18 carrier. The Company generally agreed with RUCO that the water outage expense was a one-time  
19 expense, however, the Company asserted it annually incurs one-time expenses. As a result, the Company  
20 concluded the \$10,058 of water outage expenses should not be disallowed.

21 We concur with RUCO's assessment that the purpose of the \$4.5 million investment in rate base  
22 was to alleviate rate pressure/outages. As a result, we would not expect a re-occurrence of the expenses  
23 related to the water outages. However, we will permit the Company to amortize the \$10,058 amount over  
24 a two year period at \$5,029 per year. Based on the above, we will approve an adjustment of \$5,029 plus  
25 \$3,186 or a total adjustment of \$8,215.

26 12. U S West Line Charges

27 On September 16, 1996, U S West was granted a rate increase for certain services, including PB  
28 trunks. The Company indicated it had twelve such trunk lines for various telemetering alarm signals.

1 The U S West increase resulted in a \$1,046.16 annual increase in Company expenses. Accordingly, the  
 2 Company requested its application be revised to reflect this increase. We concur.

3 13. Miscellaneous

4 Staff proposed an adjustment of (\$25,764) to remove withdrawal fees paid to the Department of  
 5 Water Resources. Staff recommended that ground water withdrawal fees be recovered as a pass-through  
 6 on the customer's bill. The Company concurred with Staff's proposal. Accordingly, adjusted TY  
 7 expenses should be reduced by \$25,764.

8 Staff recommended meter replacement costs be reduced by \$1,350 to reflect lower contract costs.  
 9 The Company concurred and a reduction of \$1,350 should be made to TY expenses.

10 The Company proposed increases to TY rental expenses and office cleaning expenses in the  
 11 amounts of \$5,390 and \$3,024, respectively. Staff accepted these adjustments. We concur and will  
 12 increase TY expenses in the amount of \$8,414.

13 14. Income Tax

14 In its application, the Company used an effective Arizona State Tax rate of 8.5 percent and a  
 15 Federal Tax rate of 35 percent in making its income tax calculation. RUCO was critical of the proposed  
 16 tax rates and recommended a state and federal tax rate of 8.257 percent and 34 percent, respectively. The  
 17 Company concurred with RUCO's proposed tax rates.

18 15. Statement of Net Operating Income

19 Based on the foregoing, the following statement details the adjusted test year net operating  
 20 income for ratemaking purposes:

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

Operating Income Summary

<u>Operating Revenues (As Adjusted Herein)</u>	\$2,981,664
<u>Operating Expenses (Per Company)</u>	\$2,814,221
<u>Commission Approved Adjustments</u>	
PBOPs	(\$33,300)
Depreciation	(\$13,213)
Property Taxes	\$11,920
Purchased Power	(\$43,020)
Bank Fees	(\$12,836)
Rate Case	(\$ 5,857.50)
Payroll	(\$11,866)
Group Insurance	(\$14,265)
Conservation	(\$4,140)
Service Company Charges	(\$2,669)
Water Outages	(\$8,215)
U S West Line Charges	\$1,046.16
Miscellaneous	(\$18,700)
Income Taxes <sup>4</sup>	(\$78,551)
Total Operating Expenses	<u>\$2,580,555</u>
<u>Net Operating Income</u>	\$401,109

VI. COST OF CAPITALA. Capital Structure

At the end of the TY, the Company had the following capital structure:

<u>Capital</u>	<u>Amount</u>	<u>Percentage</u>
Long-Term Debt	\$311,312	7.21
Common Equity	\$2,124,641	49.23
Short-Term Debt	\$1,880,000	43.56

The TY capital structure was consistent with recent rate cases of the Company. The Company has had a line of credit with Mellon Bank of Pittsburgh, Pennsylvania ("Bank") since 1991. At the time of its application, the Company had not applied for renewal with the Bank for 1996. In fact, because of the large amount of capital needed for construction, the Company made a decision to pay off all existing short-term debt with a common equity infusion from its parent. Consistent with that decision, the Company projected a capital structure for its rate case as follows:

<u>Capital</u>	<u>Amount</u>	<u>Percentage</u>
Long-Term Debt	\$311,312	3.49
Common Equity	\$8,600,000	96.51

<sup>4</sup> Included in this adjustment is a tax adjustment to reflect synchronized interest, ITC amortization, and amortization of deferred taxes.

1 The Company acknowledged that an ideal capital structure would be approximately 55 percent debt and  
2 45 percent equity.

3 RUCO was critical of the Company's uneconomic capital structure. As a result, RUCO proposed  
4 a hypothetical capital structure consisting of 61 percent equity, four percent long-term debt, and 35  
5 percent short-term debt. RUCO's proposed capital structure was arrived at by averaging year end 1993,  
6 1994, 1995, and September 30, 1996 balances of the Company. RUCO indicated that the Commission  
7 had placed the Company on notice in Decision No. 59728 that a high equity ratio was a concern. The  
8 following was extracted from Decision No. 59728:

9 "In granting this financing application, we are not making a finding that  
10 the Company's decision to issue equity is the appropriate method to  
11 complete the financing of projects. The Commission in the past has been  
12 somewhat reluctant to use a "hypothetical" capital structure, and Staff  
13 urges us to order the Company to make such a ratemaking adjustment in  
14 the pending rate proceeding. While we will not order an adjustment in  
15 this financing docket, such an adjustment, or the use of an appropriate  
16 actual test year capital structure, may be appropriate and will be  
17 determined in the rate proceeding. The burden will be on the Company  
18 during its pending rate proceeding if it expects the Commission to adopt  
19 a capital structure which includes the equity issuance approved in this  
20 financing application. [Emphasis added.]

21 RUCO asserted that the Company has not met its burden as set forth in Decision No. 59728.

22 For reasons similar to those set forth by RUCO, Staff also recommended the Company's projected  
23 capital structure be rejected. Staff recommended use of the Company's end of TY capital structure.

24 In response, the Company generally agreed that its proposed capital structure was uneconomical  
25 resulting in a higher revenue requirement. The Company indicated it did not intend to have a capital  
26 structure with such a low percentage of debt. However, due to the constraints and transaction costs the  
27 Company was forced to turn to its parent for an immediate infusion of equity to retire the short-term debt.  
28 In reviewing Staff's comparable publicly-traded water companies and median sized investor-owned  
Arizona water utilities, the Company determined the publicly traded companies were capitalized at 46.4  
percent equity and the Arizona utilities were capitalized at 89.5 percent equity. In an effort to propose  
a more balanced capital structure, the Company averaged Staff's comparable groups to obtain a  
recommended common equity ratio of 70 percent and a corresponding debt ratio of 30 percent.

Staff criticized the Company's revised capital structure as being hypothetical versus Staff's use

of the actual end of the TY levels. Both RUCO and Staff asserted their proposals were more representative of the Company's actual capital structure for the past three years. Those actual capital structures are as follows:

Company's Actual Capital Structure

<u>Year Ended</u>	<u>Percentage of Equity</u>	<u>Percentage of Debt</u>
December 31, 1993	54.21%	45.79%
December 31, 1994	50.81%	49.19%
December 31, 1995	40.70%	59.30%

At the hearing, the Company indicated it had recently reopened a \$1.9 million line of credit with the Bank. Further, the Company expected to have a 70 percent/30 percent equity to debt ratio in nine to twelve months. The Company's goal was to have an economical capital structure of 45 percent equity and 55 percent debt in four to five years.

We find the Company's end of the TY capital structure, as recommended by Staff, to be the appropriate capital structure in this case.

B. Cost of Debt

In November 1996, the Company received a Financial Service Commitment Letter from M&I Thunderbird Bank ("M&I") for a \$4 million term note fully amortized over five years. The proposed interest rate was a floating prime or 8.5 percent with a .5 percent up-front fee. However, the Company found some of the conditions proposed by M&I to be too restrictive. The Company believed that if the lender's restrictions on the Company were moderated, the interest rate would be increased approximately 50 basis points. As a result, the Company recommended a cost of debt of nine percent.

According to Staff, rates on long-term utility bonds are in the range of 7.87 to 8.52 percent, with the average at 8.12 percent. In addition, Staff indicated the prime rate was 8.25 percent. As a result, Staff believed that 8.25 percent was a reasonable approximation of the rate of interest the Company would pay on new debt.

Consistent with its proposed capital structure, RUCO recommended a short-term and long-term cost of debt. For the short-term debt, RUCO utilized the Federal funds rate plus one percent as of September 25, 1996. To that rate, RUCO added  $\frac{1}{4}$  of one percent for an annual Bank facilities fee for a short-term debt cost of 6.59 percent. For long-term debt, RUCO recommended 6.62 percent, which is

1 the embedded cost associated with outstanding PLR requirements.

2 For this case, we will approve 9 percent for the cost of debt.

3 C. Cost of Common Equity

4 The Company was authorized a return on equity of 11.00 percent in its two most recent rate  
5 cases.<sup>5</sup> In determining its recommended cost of equity, the Company used the Discounted Cash Flow  
6 ("DCF") model, and the Capital Asset Pricing Model ("CAPM"). Based on these methodologies, the  
7 Company determined a return from the DCF model of 11.19 percent and a return from CAPM of 10.35  
8 percent. By giving slightly more weight to the DCF model, the Company determined a range of 10.8  
9 percent to 11.0 percent as the cost of equity for the publicly traded water utilities analyzed. To that range,  
10 the Company added another 100 basis points to reflect the additional risk of the Company. As a result,  
11 the Company recommended a return on equity of 12.0 percent. According to the Company, it had the  
12 following additional risk factors: a relatively small size; a large construction budget; limited growth  
13 potential; the imposition of mandatory water conservation requirements pursuant to the Groundwater  
14 Code; and the contamination of the Company's well field resulting from the migration of TCE from the  
15 North Indian Bend Wash Superfund area combined with the Company's inability to retain its Central  
16 Arizona Project ("CAP") allocation as a back-up source of supply due to Commission regulatory policy.

17 In determining its recommended cost of equity, Staff used the DCF model, the CAPM and a  
18 comparison earnings analysis. Based on these various methodologies, Staff determined a range of 9.7  
19 percent to 11.7 percent as the cost of equity for the Company. Staff recommended slightly above the  
20 mid-point of that range or 11.0 percent be approved in the cost of equity in this case.

21 In determining its recommended cost of equity, RUCO used the DCF model, the Earnings-Price  
22 Ratio Analysis method, and the CAPM for a sample of ten comparable water utilities. Based on these  
23 various methodologies, RUCO determined a range of 9.29 percent to 10.72 percent. In arriving at its  
24 final estimate, RUCO gave greater weight to the DCF analysis to arrive at a 10.50 percent cost of equity.  
25 RUCO added a risk premium of 30 basis points in order to acknowledge the Company had a degree of  
26 risk above the level found in the comparable companies utilized by RUCO. As a result, RUCO

27 \_\_\_\_\_  
28 <sup>5</sup> See Decision Nos. 58419 and 59079, dated September 30, 1993 and May 5, 1995,  
respectively.

recommended a cost of equity of 10.80 percent.

We find the continuation of a 11.00 percent cost of equity is appropriate. While the Company did have additional risk factors from previous cases such as the large construction budget, we believe those factors have been taken into consideration through pro forma adjustments to rate base. Accordingly, we will approve a return of equity of 11.00 percent.

#### Cost of Capital Structure

<u>Capital Components</u>	<u>Percentage of Total</u>	<u>Cost</u>	<u>Composite Cost</u>
Long-Term Debt	50.77%	9.00%	.0457
Common Equity	49.23%	11.00%	<u>.0542</u>
			.0999

#### VII. AUTHORIZED INCREASE

With adjustments adopted herein, the adjusted TY operating income is \$401,109. Further, the 9.99 percent cost of capital translates into 7.7 percent of rate of return on FVRB as authorized hereinabove. Multiplying the 7.7 percent rate of return by the FVRB produces required operating income of \$848,131. This is \$447,022 more than the Company's TY adjusted operating income. Multiplying the deficiency by the revenue conversion factor of 1.6533 results in an increase in revenues of \$739,061 or a 24.8 percent net increase over TY revenues.

#### VIII. COST ALLOCATION AND RATE DESIGN

##### A. Revenue Allocation

The Company prepared a cost of service ("COS") study which indicated that the smaller meter sizes are being subsidized by larger sized meters. As a result, the Company proposed the percentage increase for the monthly minimum for a 5/8" meter be higher than the percentage increase for larger meters. The Company has generally a proposed continuation of its current rate design with the exception of the addition of an inverted block rate for its commercial customers.

The following provides a breakdown of the Company's proposed increase by meter size:

...  
...  
...  
...

Line No.	Meter Size	Average Number of Customers	Present Revenues	Proposed Revenues	Dollar Increase	Percent Increase
1	5/8"	2,553	\$682,951	\$971,055	\$285,797	41.85%
2	1"	1,676	1,319,383	1,739,518	420,135	31.84%
3	1 1/2"	25	76,921	96,592	19,672	25.57%
4	2"	128	580,684	867,938	287,254	49.47%
5	3"	14	64,011	108,303	44,292	69.19%
6	4"	1	42,622	82,027	39,405	92.45%
7	6"	3	186,435	208,182	21,747	11.66%
8						
9	Other Revenues		<u>35,832</u>	<u>35,832</u>		
8	Totals	4,400	\$2,988,839	\$4,109,448	\$1,118,301	37.42%

Staff and RUCO both reviewed the Company's COS study and disagreed with some of the allocations. Staff concluded that the Company's calculation for minimum charges was greatly overstated. Also, Staff and RUCO emphasized COS studies have limitations and other criteria such as conservation, consistency, and gradualism should be considered in designing rates.

#### B. Monthly Minimum

As in recent cases for the Company, the Commission is faced with designing rates that will enable the Company to be in full compliance with the Arizona Department of Water Resources ("ADWR") consumption requirements while not permitting the Company to over earn. In the last several rate cases, the Commission has approved inverted rates in an effort to encourage conservation. This is especially important in the Company's service area because it is within the boundaries of the Phoenix AMA. The Company has been struggling to meet the gallons per capita per day ("GPCD") requirements established by ADWR. While the inverted rates have been increased significantly, conservation has been difficult to achieve in the generally affluent area in which the Company provides service.

The Company initially proposed a 50 percent increase across-the-board for the monthly minimum charges. As a result of a revised revenue requirement, the Company subsequently proposed higher percentage of increases for the smaller meter sizes. Staff generally recommended an approximate equal across-the-board increase albeit at a much lower percentage than the Company in order to provide their recommended revenue levels. Staff's increase for smaller sized meters appears to be lower because Staff proposed removal of the 1,000 gallons of "free" water. RUCO's proposed increases by meter size varied

from -0- increase for 2" meters to over 34 percent for ¾" meters. The following is a summary of the current rates by meter size and the proposed rates by Company, Staff and RUCO:

<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rates</u>		<u>Staff<sup>6</sup></u>	<u>%Increase</u>	<u>RUCO</u>	<u>%Increase</u>
		<u>Company</u>	<u>%Increase</u>				
5/8"	\$ 6.00	\$10.60	76.7	\$ 6.00	0	\$ 6.68	10.8
3/4"	6.25	N/A	N/A	6.25	0	8.40	34.4
1"	10.00	19.00	90.0	10.45	4.5	12.00	20.0
1 ½"	20.00	32.50	62.5	21.65	8.25	21.00	5.0
2"	32.00	48.00	50.0	35.10	9.7	32.00	0
3"	60.00	90.00	50.0	66.45	10.75	65.00	8.33
4"	100.00	150.00	50.0	111.25	11.25	110.00	10.0
6"	200.00	300.00	50.0	223.25	11.63	225.00	12.5

Based on all the evidence, we believe that all of the monthly minimums should bear a fair share of the overall increase. Further, we will generally approve the Company's initial methodology of an equal percentage increase across-the-board. Because of the continued need to emphasize conservation, the percentage increase should be less than the overall increase granted in this case of 31.2 percent. Consistent with our overall approved revenue level, we will adopt a percentage increase of 25 percent for all meter sizes. We agree with Staff that there is not "free" water, and we will not include any gallons in the monthly minimum. Based on all the above, we will approve the following monthly minimum charges per meter size:

Approved Monthly Minimum Charge

<u>Meter Size</u>	<u>Approved Rate</u>
5/8"	\$ 7.50
3/4"	7.80
1"	12.50
1 ½"	25.00
2"	40.00
3"	75.00
4"	125.00
6"	250.00

C. Commodity or Usage Charge

In an effort to encourage water conservation, the Commission in Decision No. 57834, dated April 23, 1992, approved a two-tier commodity rate for residential customers with the second tier taking effect

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<sup>6</sup> 0 Gallons.

after 30,000 gallons. It was also recognized at the time that a fairly large increase would be necessary at the second tier level if conservation were to succeed in the generally affluent area in which the Company provides service. Subsequently, in Decision No. 59079, dated May 5, 1995, the Commission approved a third tier level in an effort to further encourage conservation by larger users. In this case, the Company is proposing a two-tier commodity rate for commercial customers. Both RUCO and Staff generally supported the Company's two-tier proposal but both recommended a different starting point for the second tier. The Company's current and proposed rates are as follows:

Commodity or Usage Charge per 1,000 Gallons

<u>Class</u>	<u>Company Current</u>	<u>Ratio to Tier # 1 Rates</u>	<u>Company Proposed</u>	<u>Ratio to Tier #1 Rates</u>
Residential				
1st Tier	\$0.52	1.00	\$0.75	1.00
2nd Tier <sup>7</sup>	1.23	2.37	1.30	1.73
3rd Tier <sup>8</sup>	1.52	2.92	1.75	2.33
Commercial				
1st Tier	\$0.87		\$1.04	1.00
2nd Tier <sup>9</sup>	N/A		1.30	1.25
Turf Facility	\$0.66		\$0.81	
Resale	\$1.13		\$1.20	
Public Authority and Miscellaneous	\$0.87		\$1.20	

In its application, the Company had proposed the 2nd tier commercial rate commence at 800,000 gallons. According to Staff, only ten percent of the commercial bills would be impacted by the 800,000 gallon level. Staff proposed the 2nd tier commence at 200,000 gallons since 33 percent of the bills would be impacted. In response, the Company revised its starting point for the 2nd tier to 400,000 gallons.

Staff's and RUCO's proposed commodity rates are as follows:

<sup>7</sup> The existing 2nd tier for residential customers starts at 25,000 gallons and the Company has proposed it start at 20,000 gallons.

<sup>8</sup> Similarly, the existing 3rd tier starts at 80,000 gallons and the Company proposed it start at 70,000 gallons.

<sup>9</sup> The current commercial rates are not tiered and the Company proposed a second tier commencing at 400,000 gallons.

<u>Commodity or Usage Charge per 1,000 Gallons</u>				
<u>Class</u>	<u>Staff Proposed</u>	<u>Ratio to Tier # 1 Rates</u>	<u>RUCO Proposed</u>	<u>Ratio to Tier #1 Rates</u>
Residential				
1st Tier	\$0.65	1.00	\$0.60	1.00
2nd Tier	1.50	2.30	1.48	2.47
3rd Tier	1.96	3.01	2.00	3.33
Commercial				
1st Tier	\$1.04	1.00	\$1.00	1.00
2nd Tier <sup>10</sup>	1.30	1.25	1.50	1.50
Turf Facility	\$0.81		\$0.80	
Resale	\$1.20		\$1.46	
Public Authority and Miscellaneous	\$1.20		\$1.25	

We will approve the continuation of the 3 tier residential rates structure with the existing breakpoints of 25,000 and 80,000 gallons. In addition, we will generally maintain the same ratio between tiers. As to the commercial rate structure, we will approve the Company's revised 2nd tier level of 400,000 gallons. Initially, we will set the 2nd tier rate at approximately the ratio recommended by the Company and Staff. The following are the approved commodity rates consistent with the overall increase granted herein.

Commission Approved Commodity or Usage Charge per 1,000 Gallons

<u>Class</u>	<u>Usage Charge</u>	<u>Ratio to Tier # 1 Rates</u>
Residential		
1st Tier	\$0.65	1.00
2nd Tier	1.50	2.31
3rd Tier	1.94	2.98
Commercial		
1st Tier	\$1.04	1.00
2nd Tier	1.30	1.25
Turf Facility	\$0.80	
Resale	\$1.18	
Public Authority and Miscellaneous	\$1.18	

<sup>10</sup> Staff proposed the second tier commence at 200,000 gallons while RUCO recommended it commence at 800,000 gallons.

1                   \*       \*       \*       \*       \*       \*       \*       \*       \*  
2       Having considered the entire record herein and being fully advised in the premises, the  
3 Commission finds, concludes, and orders that:

4                                   **FINDINGS OF FACT**

5           1.       Applicant is an Arizona corporation engaged in the business of providing water for public  
6 purposes within portions of Maricopa County, Arizona, pursuant to authority granted by this  
7 Commission.

8           2.       On December 6, 1995, the Company filed with the Commission an Application for an  
9 Accounting Order.

10          3.       On April 9, 1996, the Company filed a Rate Application with the Commission.

11          4.       On May 9, 1996, Staff filed a notice in this docket that the Rate Application met the  
12 sufficiency requirements of A.A.C. R14-2-103.

13          5.       Our May 16, 1996 Procedural Order consolidated the Application for an Accounting Order  
14 and Rate Application and set the matter for hearing commencing January 9, 1997.

15          6.       At the request of the Company, the hearing was continued until January 24, 1997.

16          7.       NARUC standards normally require AFUDC to cease once utility plant is completed and  
17 placed in service.

18          8.       During the summer of 1995, certain customers in the Company's certificated area  
19 experienced periods of low water pressure as well as periods of water outages in August 1995.

20          9.       In order to alleviate its low water pressure/outages, the Company began to aggressively  
21 replace old and undersized transmission mains, add more transmission capacity, upgrade booster stations  
22 and increase water production.

23          10.       During the TY ended September 30, 1995, the Company had an average of approximately  
24 4,400 customers.

25          11.       The OCRB, RCNRB and FVRB for Applicant for the TY ended September 30, 1995 are  
26 determined to be \$8,479,781, \$13,549,601, and \$11,014,691, respectively.

27          12.       Consistent with the conditions set forth in the Discussion, it is reasonable for the Company  
28 to utilize the accrual method for PBOPs in its next rate case.

13. Applicant's adjusted TY operating income is \$401,109, based upon adjusted operating revenues of \$2,981,664 and adjusted operating expenses of \$2,580,555.

14. In the circumstances of this proceeding, a rate of return on FVRB of 7.7 percent is just and reasonable.

15. Operating income of \$848,131 is necessary to yield a 7.7 percent rate of return on the FVRB.

16. Applicant must increase operating revenues by \$739,061 to produce operating income of \$848,131.

17. COS studies, rate continuents, conservation, and simplicity and stability all must be taken into consideration for rate design purposes.

### CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and a water utility within the meaning of A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Applicant and of the subject matters of the Application for an Accounting Order and the Rate Application.

3. Notice of the Application for an Accounting Order and the Rate Application were given in accordance with the law.

4. The rates and charges for water services proposed by Applicant are not just and reasonable.

5. The rates and charges for water services established hereinafter are just and reasonable.

6. Applicant should be authorized to file revised tariffs for retail services consistent with the above FINDINGS OF FACT and the discussion herein under AUTHORIZED INCREASE AND COST ALLOCATION AND RATE DESIGN.

**ORDER**

IT IS THEREFORE ORDERED that Paradise Valley Water Company be, and hereby is, authorized and directed to file, on or before five days after the date of this Decision: (1) revised schedules of rates and charges which shall be in accordance with the discussion, FINDINGS OF FACT and CONCLUSIONS OF LAW hereinabove.

1 IT IS FURTHER ORDERED that such revised schedules of rates and charges shall be effective  
2 for all service rendered on and after five days after the date of this Decision.

3 IT IS FURTHER ORDERED that Paradise Valley Water Company shall utilize the accrual  
4 method for PBOPs in its next rate case consistent with the conditions set forth herein.

5 IT IS FURTHER ORDERED that Paradise Valley Water Company shall notify its customers of  
6 means of an insert in its next regularly scheduled billing of the revised schedules of rates and charges  
7 authorized hereinabove.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

10  
11  
12   
13 CHAIRMAN

14   
15 COMMISSIONER

16   
17 COMMISSIONER

18 IN WITNESS WHEREOF, I, GEOFFREY E. GONSHER, Executive Secretary  
19 of the Arizona Corporation Commission, have hereunto set my hand and caused  
20 the official seal of the Commission to be affixed at the Capitol, in the City of  
21 Phoenix, this 20th day of Aug, 1997.

22   
23 GEOFFREY E. GONSHER  
24 EXECUTIVE SECRETARY

25  
26  
27  
28  
DISSENT \_\_\_\_\_  
JLR:dap

1 SERVICE LIST FOR: PARADISE VALLEY WATER COMPANY  
2 DOCKET NOS.: U-1303-96-283 and U-1303-95-493  
3 Norman D. James  
4 RYLEY, CARLOCK & APPLEWHITE  
5 101 North First Avenue, Suite 2700  
6 Phoenix, Arizona 85003-1973  
7 Attorney for Paradise Valley Water Company  
8  
9 Greg Patterson  
10 James P. Beene  
11 Paul R. Michaud  
12 RUCO  
13 2828 N Central Ave, Suite 1200  
14 Phoenix, Arizona 85004  
15  
16 Lindy Funkhouser, Chief Counsel  
17 Karen Nally, Staff Attorney  
18 Legal Division  
19 ARIZONA CORPORATION COMMISSION  
20 1200 West Washington Street  
21 Phoenix, Arizona 85007  
22  
23 Carl Dabelstein, Director  
24 Utilities Division  
25 ARIZONA CORPORATION COMMISSION  
26 1200 West Washington  
27 Phoenix, Arizona 85007  
28

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

JUL 20 1999

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER

DOCKETED BY	<i>[Signature]</i>
-------------	--------------------

IN THE MATTER OF THE APPLICATION OF  
PARADISE VALLEY WATER COMPANY FOR  
AN INCREASE IN RATES.

DOCKET NO. W-01303A-98-0507

DECISION NO. 61831

OPINION AND ORDER

DATE OF HEARING: April 29, 1999  
PLACE OF HEARING: Phoenix, Arizona  
PRESIDING OFFICER: Lyn Farmer  
APPEARANCES: Mr. Norman D. James, FENNEMORE CRAIG, P.C. on behalf  
of Paradise Valley Water Company,  
Ms. Karen E. Nally, on behalf of the Residential Utility  
Consumer Office, and  
Ms. Janet Wagner, Staff Attorney, Legal Division on behalf of  
the Arizona Corporation Commission.

**BY THE COMMISSION:**

On August 14, 1998, Paradise Valley Water Company ("Company" or "Applicant") filed a rate application with the Arizona Corporation Commission ("Commission").

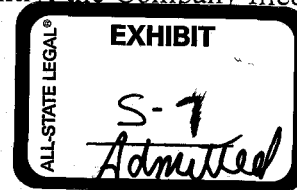
On September 14, 1998, the Utilities Division Staff ("Staff") of the Commission filed a letter indicating the Company's rate application was sufficient and classifying the utility as a Class A utility.

On September 22, 1998, Staff filed a Request for Procedural Order and Hearing Date.

On September 23, 1998, the Residential Utility Consumer Office ("RUCO") requested intervention, which was granted on October 5, 1998.

On September 24, 1998, the Company Responded to Staff's request for Procedural Order.

On September 29, 1998, a Procedural Order was issued setting the hearing and establishing deadlines. The matter was set for hearing beginning May 5, 1999. Subsequently, the Company filed a Motion for Order modifying hearing date and related relief.



1 On October 29, 1998, Paradise Valley Country Club ("PVCC") requested intervention, which  
2 was granted on November 9, 1998.

3 On November 18, 1998, an Amended Procedural Order was issued setting a hearing for April  
4 29, 1999.

5 This matter came before a duly authorized Hearing Officer of the Commission at the  
6 Commission's offices in Phoenix, Arizona on April 29, 1999. Applicant, RUCO, and Staff appeared  
7 through counsel. No member of the public appeared to make public comment. Evidence was  
8 presented and, after a full public hearing, this matter was adjourned pending submission of a  
9 Recommended Opinion and Order by the Presiding Officer to the Commission.

10 On May 25, 1999, Staff filed its Supplemental Staff Report and RUCO filed its Audit Report.  
11 On June 8, 1999, Paradise Valley filed its final schedules. No party requested additional hearing on  
12 these post-hearing filings.

### 13 I. INTRODUCTION

14 Applicant provides water service within portions of the Town of Paradise Valley, the City of  
15 Scottsdale, and certain unincorporated areas within Maricopa County, Arizona. All of the  
16 Company's certificated area is located within the Phoenix Active Management Area. Paradise  
17 Valley's most recent rate increase was approved by the Commission in Decision No. 60220 (May 27,  
18 1997). During the test year ended June 30, 1998 ("TY"), the Company provided water service to  
19 approximately 4,600 customers. The majority of Applicant's customers are residential customers,  
20 many of whom own large dwellings situated on large lots with extensive landscaping and  
21 improvements. Applicant serves the PVCC and two other turf-related facilities, as well as several  
22 resorts, hotels, and other commercial customers that use relatively large quantities of water.

### 23 II. DISCUSSION

24 In its Application, the Company initially requested an increase in operating revenues of  
25 \$1,097,568, or a 27.18 percent increase. The Company accepted the Staff Report filed on May 25,  
26 1999<sup>1</sup>, and made corresponding adjustments to depreciation expense and income taxes. The  
27

28 <sup>1</sup> Staff's final post-test year pro forma plant additions/deletions adjustment was \$2,195,582, which the Company accepted.

1 Company and Staff agree that during the TY, the Company had adjusted operating income of  
2 \$556,475 based on adjusted operating expenses of \$3,481,630 and operating revenues of \$4,038,105.  
3 Both Staff and the Company agree that an \$850,238 increase in operating revenues (21.06 percent) is  
4 appropriate. This revenue increase is based upon an adjusted original cost rate base ("OCRB") of  
5 \$11,497,759, and a rate of return on rate base of 9.33 percent.

6 RUCO presented testimony on two contested issues at hearing: the Company's inclusion of  
7 post-TY plant additions in rate base and its request for authority to implement a new surcharge to  
8 recover costs associated with the use of its Central Arizona Water Project ("CAP") allocation.

9 Post-Test Year Plant Additions

10 In the Company's last rate case, Decision No. 60220, the Commission allowed post-TY plant  
11 additions. In this application, the Company is also requesting post-TY plant additions in the amount  
12 of \$2,195,582.

13 Staff recommended allowing the \$2,195,582 in post-TY plant additions through March 31,  
14 1999, but has concerns that allowing additions so far outside the test year violates the historical test  
15 year rate making methodology and creates a mismatch of revenues and expenses. Staff recommended  
16 that the Commission order the Company, in its next rate filing, to include only the proforma plant  
17 additions and deletions it will complete by Staff Engineering's approximate inspection date.

18 RUCO also had the same concerns, and recommended disallowing the pro forma  
19 adjustments. RUCO does not believe that the circumstances cited in Decision No. 60220 that  
20 supported the allowance of post-TY plant additions are present in this application, and therefore,  
21 recommended that the TY plant level should be used to establish rate base.

22 In Decision No. 60220, we expressed our shared concern regarding matching of rate base and  
23 operating expense levels. The Commission normally uses a TY cut-off date for including plant  
24 additions, although in unique circumstances, the Commission has allowed post-TY plant additions in  
25 rate base. In Decision No. 60220, we used a plant cut-off date that would allow Staff and the parties  
26 time to audit and review the Company's proposal prior to filing surrebuttal testimony. Although we  
27 will allow the Staff and Company's agreed-upon level of post-TY plant additions in rate base, we  
28 agree with RUCO and Staff that we should set guidelines for the Company's next and future rate

1 filings. The Company controls the timing and filing of its rate applications and should time its  
2 applications so as to minimize pro forma adjustments for plant additions. Further, in order to allow  
3 Staff and intervenors an adequate time to review and audit any such adjustments, the Company shall  
4 limit its adjustments to add post-TY plant to include only plant that is used and useful and in service  
5 within 90 days of the date that the rate application is deemed sufficient.

6 Central Arizona Project Costs

7 In 1985, the Company entered into a subcontract with the U.S. Bureau of Reclamation and the  
8 Central Arizona Water Conservation District ("CAWCD") providing for the annual delivery to the  
9 Company of 3,231 acre feet of M & I (municipal and industrial) water from the CAP. Although the  
10 Company has not accepted delivery of any of its allocation, the terms of the subcontract require it to  
11 make annual capital payments.<sup>2</sup> Annual payments were made from 1986 through 1995. In its 1994  
12 rate application, the Company requested rate recovery of its annual capital payments to CAWCD.  
13 Staff and RUCO objected because the CAP water was not being used, and Commission policy  
14 required that CAP water be used and useful in order to be afforded rate recovery. The Company then  
15 proposed the use of the "CAP 2000" ratemaking alternative whereby the Company would recover its  
16 accrued CAP expenses through a surcharge over 25 years, while agreeing not to seek recovery from  
17 ratepayers for future CAP expenses. In Decision No. 59079 (May 5, 1995), the Commission  
18 authorized this ratemaking treatment for the Company. Since that time, the Company has not made  
19 any of the required capital payments, but has continued to retain its CAP allocation.

20 According to the Company, new circumstances would allow it to use its CAP allocation  
21 through an exchange with the Salt River Project ("SRP"). SRP will take delivery of the Company's  
22 CAP allocation in exchange for the Company's use of the groundwater withdrawn from an SRP well  
23 and treated at the Company's Miller Road treatment facility.<sup>3</sup> The Company proposed a CAP  
24 surcharge to recover the costs associated with the CAP water use. It would apply to all residential  
25 consumption over 45,000 gallons per month and to all commercial gallonage, and would be trued-up  
26

27 <sup>2</sup> The payments ranged from a low of \$2 per acre foot in the early years to \$39 per acre foot in 1997.

28 <sup>3</sup> The Company currently has a water exchange agreement with SRP to contain contamination in a nearby aquifer and prevent the Company's wells from becoming contaminated. The Company pumps water from an SRP well and treats it, and delivers water pumped from the Company's wells into the SRP canal.

1 annually. Consisting of the total annual CAP charge of \$433,723; an annual deferred CAP charge of  
2 \$150,718 (total deferred charges of \$753,591, including the \$99,000 deferred CAP 2000 balance,  
3 capital costs due CAWCD of \$533,115, and late fees due CAWCD of \$121,476, amortized over five  
4 years); and a \$188,112 reduction in power and AWDR fees, the total annual cost would be \$396,329,  
5 or a surcharge of \$0.2390 per 1,000 gallons.

6 Staff concurred with the Company's proposal, and agreed that the existing CAP 2000  
7 surcharge be eliminated and that the deferred costs associated with that surcharge be recovered under  
8 the new surcharge. RUCO believes that the existing 25 year CAP 2000 surcharge for deferred CAP  
9 costs authorized in Decision No. 59079 should remain in effect; that the Company should recover the  
10 incremental cost of using CAP water since it supports Arizona's legislative state water policies and  
11 goals; that any changes in the surcharge amount should only be made in a rate case; and that the  
12 Company should not be allowed retroactive recovery of CAP costs that were incurred during the time  
13 that Decision No. 59079 was in effect.

14 We agree that the proposed use of the Company's CAP allocation is appropriate, and that  
15 ongoing CAP costs should be recovered through a surcharge mechanism as proposed by the  
16 Company. Because most of the CAP costs are outside of the Company's ability to control, we agree  
17 with Staff and the Company that an annual true-up is appropriate. Both Staff and RUCO should  
18 review and approve any proposed surcharge changes or true-ups. Although the Company agreed not  
19 to seek recovery of future CAP costs, its retention of its CAP allocation and its use will benefit both it  
20 and its ratepayers, and therefore, we agree that the Company should be allowed to recover those  
21 unpaid CAP capital costs due the CAWCD. However, we agree with RUCO that the Company made  
22 a business decision to continue to incur capital costs during the time it was aware that it would not be  
23 allowed recovery of those costs, and therefore, the Company should not be allowed to recover late  
24 fees or penalties incurred during the time it used the CAP 2000 methodology. Accordingly, the  
25 current CAP 2000 surcharge will remain in place as an annual charge, and the Company will collect a  
26 \$0.2124 per 1,000 gallons surcharge from all residential usage in excess of 45,000 gallons per month  
27 and from all non-residential usage.

28 Miscellaneous

At the time of hearing, the Company was out of compliance with the Maricopa County Environmental Services Department and the Arizona Department of Environmental Quality ("ADEQ"). Staff recommended that the Company make every effort to bring the water system into compliance with Maricopa County and ADEQ as soon as possible, but no later than June 30, 1999. Further, Staff recommended that any rate increase should not be effective until the month after the Company submits a written statement from ADEQ confirming that the Company is delivering water that has no maximum contaminant level violations and meets the quality standards of the Safe Drinking Water Act. On June 28, 1999, Staff filed a memorandum with an attachment from Maricopa County indicating that the Company is delivering water that has no maximum contaminant level violations and meets the quality standards of the Safe Drinking Water Act.

In Decision No. 61307 (December 31, 1998) the Commission approved the sale of assets and transfer of the Certificate of Convenience and Necessity of Mummy Mountain Water Company to Applicant. There was insufficient time for the transaction and its ramifications to be analyzed and included in this rate case, so Staff recommended that the Commission should order a revenue review be performed at the end of a full operating cycle to assess the effects of the Mummy transaction on PV and its rates. We agree.

### III. RATE BASE

The Company agreed that its OCRB may be used as its Fair Value Rate Base ("FVRB"). We find Paradise Valley Water Company's FVRB to be \$11,497,759.

### IV. OPERATING INCOME

Applicant had actual operating revenues of \$4,038,105 during the TY. No party proposed adjustments to operating revenues.

Applicant's adjusted TY operating expenses were \$3,457,731, including adjustments for depreciation, property taxes, income taxes, rate case expense.

### V. COST OF CAPITAL

In its previous rate case, the Commission rejected the Company's capital structure of 96.51 equity, and used a hypothetical capital structure of 49.23 percent equity and 50.77 percent long-term debt in setting rates. The Commission used a cost of equity of 11.0 percent and a cost of long-term

1 debt of 9.0 percent, resulting in a 9.99 percent cost of capital.

2 Decision No. 60525 (December 18, 1997) authorized the Company to issue \$4.5 million in  
3 long-term bonds to retire a portion of its common equity and to refinance certain short-term debt used  
4 to fund capital projects. The bonds were issued in August 1998, and in this application, the Company  
5 proposed to use its projected December 31, 1998 capital structure for ratemaking purposes. The  
6 capital structure consists of 44.96 percent long-term debt at a cost of 7.30 percent, and 55.04 equity at  
7 a cost of 11.00 percent, resulting in a weighted cost of capital of 9.33 percent. Staff agreed with the  
8 use of this capital structure and composite cost in determining the required rate of return on the  
9 Company's original cost rate base. We concur.

#### 10 VI. AUTHORIZED INCREASE

11 Applicant's adjusted TY operating income is \$580,374. Multiplying the 9.33 percent rate of  
12 return on FVRB produces required operating income of \$1,072,741. This is \$492,367 more than the  
13 Company's TY adjusted operating income. Multiplying the deficiency by the revenue conversion  
14 factor of 1.6469 results in an increase in revenues of \$810,879, or a 20.08 percent increase over TY  
15 revenues.

#### 16 VII. RATE DESIGN

17 The Company proposed retaining its current rate design<sup>4</sup> which is intended to encourage  
18 conservation by using a three-tier, inverted rate structure for residential customers, and a two-tier,  
19 inverted rate structure for commercial customers. Under the Company's proposal, the revenue  
20 increase would be spread evenly among all customer classes. Staff agreed that the current rate design  
21 should be retained, and that the increase should be spread evenly among all customer classes. We  
22 concur.

23 \* \* \* \* \*

24 Having considered the entire record herein and being fully advised in the premises, the  
25 Commission finds, concludes, and orders that:

26 ...

27  
28 <sup>4</sup> The Company also submitted a cost of service study.

FINDINGS OF FACT

1  
2 1. Applicant is an Arizona corporation engaged in the business of providing water for  
3 public purposes within portions of Maricopa County, Arizona, pursuant to authority granted by this  
4 Commission.

5 2. On August 14, 1998, the Company filed an application with the Commission  
6 requesting authority to increase its rates and charges for water service.

7 3. On September 14, 1998, Staff filed a letter indicating that the Company's rate  
8 application was sufficient.

9 4. Our September 29, 1998 Procedural Order set this matter for hearing commencing on  
10 May 5, 1999, and by subsequent Procedural Order, the hearing was rescheduled for April 29, 1999.

11 5. During the TY ended June 30, 1998, the Company served approximately 4,600  
12 customers.

13 6. The OCRB and FVRB for Applicant is \$11,497,759.

14 7. Applicant's adjusted TY income is \$580,374, based upon operating revenues of  
15 \$4,038,105, and operating expenses of \$3,457,731.

16 8. A rate of return on FVRB of 9.33 percent is appropriate.

17 9. Operating income of \$1,072,741 is necessary to yield a 9.33 percent rate of return on  
18 FVRB.

19 10. Applicant must increase operating revenues by \$810,879 to produce operating income  
20 of \$1,072,741.

21 11. On June 28, 1999, Staff filed a Memorandum from the Maricopa County  
22 Environmental Service Department indicating that the Company is delivering water that has no  
23 maximum contaminant level violations and meets the quality standards of the Safe Drinking Water  
24 Act.

25 12. In order to analyze the effects of the Mummy Mountain transaction, the Company  
26 should file a rate review at the end of a full operating cycle.

27 13. In order to allow Staff and intervenors an adequate time to review and audit any pro  
28 forma plant adjustments in its next rate filing, the Company shall limit its adjustments to include only

plant that is used and useful and in service within 90 days of the date that the rate application is deemed sufficient.

### CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-201, et seq.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of this matter was given in accordance with the law.

4. The rates and charges authorized herein for the provision of water service are just and reasonable and should be adopted.

### ORDER

IT IS THEREFORE ORDERED that Paradise Valley Water Company file on or before July 30, 1999, the following amended schedule of rates and charges:

#### MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$8.41
3/4" Meter	8.74
1" Meter	14.01
1 1/2" Meter	28.02
2" Meter	44.83
3" Meter	84.06
4" Meter	140.10
6" Meter	280.20

#### COMMODITY CHARGE – PER 1,000 GALLONS:

##### Residential -

Tier One 0 – 25,000 Gallons	\$0.73
Tier Two 25,001 – 80,000 Gallons	1.68
Tier Three Over 80,000 Gallons	2.17

##### Commercial -

Tier One 0 – 400,000 Gallons	\$1.17
Tier Two Over 400,000 Gallons	1.46

...

Other General Metered (Public Authority, Fire Service, Construction, misc.) -  
For All Usage \$1.32

Turf Related Facilities -  
For All Usage \$0.90

Other Water Utility (Resale) -  
For All Usage \$1.18

Paradise Valley Country Club - Per Contract  
For All Usage \$229.42

CENTRAL ARIZONA PROJECT (CAP) SURCHARGE - PER 1,000 GALLONS:

Residential -  
For All Usage in excess of 45,000 Gallons per Month  
For All Usage \$0.2124

All Non-Residential Customers -  
For All Usage \$0.2124

CAP EXPENSE RECOVERY SURCHARGE - PER CUSTOMER:

All Classes of Customers -  
Charged in January of each year \$1.04

PRIVATE FIRE PROTECTION:

The greater of \$5.00 or one percent of the minimum charge

SERVICE LINE AND METER INSTALLATION CHARGES:

5/8" x 3/4" Meter	\$330.00
3/4" Meter	360.00
1" Meter	411.00
1 1/2" Meter	550.00
2" Meter	604.00
3" Meter	1,062.00
4" Meter	1,806.00
6" Meter	3,872.00

...

...

SERVICE CHARGE:

Establishment	\$20.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	30.00
Reconnection (Delinquent – After Hours)	60.00
Meter Test (If Correct)	15.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	\$12.00
Deferred Payment	1.50%
Meter Reread (If Correct)	\$10.00
Late Payment Penalty	1.50%

\* Per Commission rule A.A.C. R14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

IT IS FURTHER ORDERED that such amended schedule of rates and charges shall be effective for all service provided on and after August 1, 1999.

IT IS FURTHER ORDERED that Paradise Valley Water Company shall notify its customers of the revised schedules of rates and charges authorized herein and the effective date thereof in its next regular monthly billing.

IT IS FURTHER ORDERED that Paradise Valley Water Company be authorized to implement a gallonage surcharge to recover the costs resulting from the use of its Central Arizona Project allocation as authorized herein.

IT IS FURTHER ORDERED that in its next rate filing, Paradise Valley Water Company shall limit any test year proforma rate base adjustments to include only those items that are used and useful and in service within 90 days of the date that the application is deemed sufficient.

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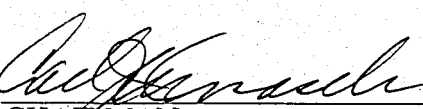
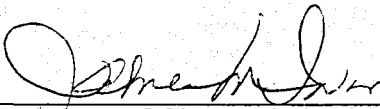
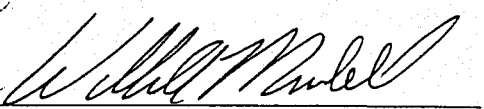
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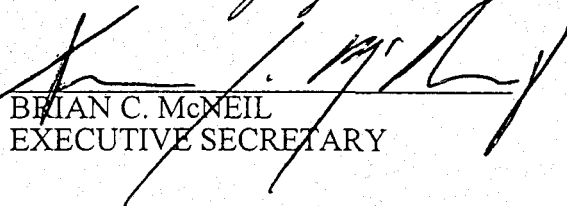
1 IT IS FURTHER ORDERED that Paradise Valley Water Company shall file a rate review at  
2 the end of the next full operating cycle to assess the effects of the Mummy Mountain transaction.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5  
6     
7 CHAIRMAN COMMISSIONER COMMISSIONER  
8

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
10 Secretary of the Arizona Corporation Commission, have  
11 hereunto set my hand and caused the official seal of the  
12 Commission to be affixed at the Capitol, in the City of Phoenix,  
13 this 20<sup>th</sup> day of July, 1999.

14   
15 BRIAN C. McNEIL  
16 EXECUTIVE SECRETARY

17  
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20  
21  
22  
23  
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25  
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27  
28  
DISSENT \_\_\_\_\_  
LAF:bbs

1 SERVICE LIST FOR:

PARADISE VALLEY WATER COMPANY

2 DOCKET NO.

W-01303A-98-0507

3 Norman D. James

FENNEMORE CRAIG PC

4 3003 North Central Avenue, Suite 2600

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5 Attorneys for Paradise Valley Water Company

6 Karen Nally

RUCO

7 2828 North Central Avenue, Suite 1200

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9 Philip A. Edlund

PARADISE VALLEY COUNTRY CLUB

7101 North Tatum Boulevard

10 Paradise Valley, Arizona 85253

11 Paul Bullis, Chief Counsel

Legal Division

12 ARIZONA CORPORATION COMMISSION

1200 West Washington Street

13 Phoenix, Arizona 85007

14 Director, Utilities Division

ARIZONA CORPORATION COMMISSION

15 1200 West Washington Street

16 Phoenix, Arizona 85007

7

**ARIZONA-AMERICAN WATER COMPANY**  
**2003 GENERAL RATE CASE**  
**DOCKET NOS. WS-01303A-02-0867, 0868, 0869, 0870, and 0908**  
**RESPONSE TO DATA REQUEST NO. AII 39-3**

Response provided by: David P. Stephenson

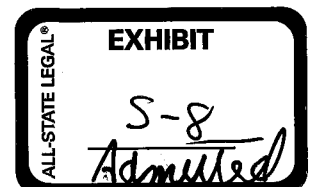
Title: Director of Rates & Planning

Company Name: American Water Works Service Company

Address: 303 H Street, Suite 250  
Chula Vista, CA 91910

Company Response Number: AII 39-3

- 
- Q. Please provide a list of subsidiaries, affiliates, divisions or operating units to which Citizens allocated its 1999, 2000 and 2001 total overhead expenses.
- A. Please see the attached 1999, 2000 and 2001 YTD Allocations from various units within Citizens that allocated charges to the Public Service Corporations. Shown on the first page of the attachment is the Company Code and name of the Company receiving charges.
- 



# CITIZENS

Public Service

YTD Totals by PSS Company - Charges Allocated from Company 3999 (PSO) 2001

Co. Code	Description	YTD - 01	Dec - 01	Nov - 01	Oct - 01	Sep - 01	Aug - 01	Jul - 01	Jun - 01	May - 01	Apr - 01	Mar - 01	Feb - 01	Jan - 01
2000	Colorado Gas	\$79,575	(\$833)	\$3,742	\$1,814	\$5,040	\$9,210	\$9,718	(\$9,350)	\$8,700	\$13,212	\$13,432	\$12,349	\$14,545
2001	Santa Cruz Gas	\$40,124	(\$381)	\$1,711	\$479	\$2,421	\$4,758	\$5,015	(\$4,781)	\$3,447	\$8,775	\$6,888	\$6,333	\$7,459
2002	Northern AZ Gas	\$378,154	(\$5,834)	\$28,198	\$15,344	(\$121,125)	\$61,432	\$64,803	(\$61,878)	\$44,668	\$87,740	\$89,201	\$82,009	\$96,596
2003	Louisiana Gas Division	\$2,505,382	(\$14,145)	\$83,612	\$108,038	\$0	\$0	\$0	\$352,500	\$1,080,708	\$224,988	\$228,693	\$208,030	\$245,033
2004	LGS Infrastructure	\$19,154	\$0	\$0	\$0	\$0	\$0	\$0	\$5,845	\$3,885	\$1,830	\$1,878	\$2,533	\$2,984
2005	LGS Natural	\$31,280	\$0	\$0	\$0	\$0	\$0	\$0	\$8,928	\$8,210	\$3,203	\$3,283	\$4,433	\$5,221
2009	TGC	\$760,985	(\$8,088)	\$38,354	\$19,335	\$49,839	\$87,854	\$92,640	(\$87,324)	\$85,405	\$124,865	\$126,742	\$118,522	\$137,249
3000	Mohave Electric	\$308,025	(\$3,453)	\$15,503	\$9,873	\$21,154	\$35,189	\$37,102	(\$35,278)	\$25,587	\$50,137	\$50,972	\$46,882	\$55,198
3001	Santa Cruz Electric	\$188,485	(\$1,819)	\$7,271	\$2,274	\$9,881	\$18,634	\$20,711	(\$19,880)	\$14,274	\$28,117	\$28,588	\$26,281	\$30,856
3002	Vermont Electric	\$177,894	(\$1,687)	\$7,488	\$2,825	\$11,751	\$21,104	\$22,181	(\$18,410)	\$18,884	\$28,117	\$28,588	\$26,281	\$30,856
3003	Kauai Electric	\$885,082	(\$5,283)	\$23,634	\$11,144	\$188,447	\$59,151	\$62,354	(\$57,854)	\$44,850	\$83,338	\$84,724	\$77,892	\$91,748
4000	Mohave Water/Waste Wtr	\$118,466	\$363	\$7,398	\$6,286	\$8,192	\$12,008	\$13,390	(\$6,067)	\$20,337	\$13,212	\$13,432	\$12,349	\$14,545
4002	Tubac Valley	\$8,448	\$21	\$437	\$514	\$886	\$814	\$887	(\$302)	\$1,068	\$678	\$889	\$633	\$748
4003	Sun City Water	\$217,080	\$884	\$13,921	\$11,599	\$17,048	\$22,739	\$25,351	(\$10,222)	\$38,493	\$24,052	\$24,453	\$22,481	\$26,480
4004	Sun City Sewer	\$172,910	\$523	\$10,659	\$8,522	\$13,452	\$18,284	\$20,398	(\$8,172)	\$30,989	\$19,310	\$18,631	\$18,048	\$21,259
4005	Sun City West (wtr/waste wtr)	\$255,425	\$822	\$16,745	\$14,564	\$20,514	\$26,471	\$28,517	(\$12,033)	\$44,886	\$28,117	\$28,588	\$26,281	\$30,856
4006	Agua Fria Water	\$105,288	\$384	\$7,829	\$7,880	\$9,130	\$10,400	\$11,598	(\$4,887)	\$17,849	\$11,179	\$11,365	\$10,449	\$12,308
4007	Havasui Water	\$11,983	\$32	\$850	\$598	\$1,087	\$1,227	\$1,373	(\$803)	\$2,130	\$1,355	\$1,378	\$1,267	\$1,492
4008	Penn Water	\$88,888	\$278	\$5,855	\$3,970	\$7,321	\$10,881	\$11,915	(\$4,612)	\$18,168	\$11,179	\$11,365	\$10,449	\$12,308
4009	Lake Heritage	\$8,898	\$21	\$437	\$288	\$732	\$995	\$1,104	(\$422)	\$1,922	\$1,018	\$1,033	\$950	\$1,119
4010	Home Water	\$128,201	\$384	\$7,829	\$6,283	\$9,720	\$13,286	\$14,810	(\$5,214)	\$22,467	\$14,228	\$14,465	\$13,299	\$15,664
4011	Blue Mountain	\$89,452	\$267	\$5,437	\$4,219	\$8,788	\$9,454	\$10,541	(\$4,465)	\$18,027	\$10,163	\$10,332	\$9,499	\$11,189
4012	Glen Alsace	\$86,321	\$203	\$4,130	\$3,388	\$5,195	\$6,950	\$7,748	(\$3,258)	\$11,768	\$7,453	\$7,577	\$8,966	\$9,205
4013	California Water	\$518,062	\$1,559	\$31,753	\$24,830	\$39,218	\$54,551	\$60,828	(\$25,246)	\$92,459	\$58,287	\$59,238	\$54,461	\$64,149
4015	CUC Illinois Water	\$858,140	\$1,954	\$39,801	\$30,481	\$47,338	\$70,010	\$78,088	(\$32,942)	\$118,878	\$75,208	\$78,458	\$70,293	\$82,797
4016	Flowing Wells	\$9,377	\$32	\$850	\$545	\$732	\$995	\$1,104	(\$422)	\$1,922	\$1,018	\$1,033	\$950	\$1,119
4017	Ohio Water	\$143,213	\$459	\$8,354	\$8,089	\$11,391	\$14,794	\$16,489	(\$6,989)	\$25,106	\$15,922	\$16,187	\$14,882	\$17,529
4021	Citizens Lake Water Co. (CWRC)	\$7,789	\$0	\$0	\$1,958	\$5,813	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4023	Anthem Treatment Co.	\$80,805	\$192	\$3,917	\$3,304	\$4,784	\$6,338	\$7,081	(\$2,856)	\$10,701	\$6,775	\$6,888	\$6,333	\$7,459
4024	Anthem Distribution Co.	\$18,983	\$129	\$2,608	\$3,932	\$2,875	\$1,227	\$1,373	(\$604)	\$2,130	\$1,355	\$1,378	\$1,267	\$1,492
	Total	\$7,823,355	(\$32,984)	\$354,818	\$310,356	\$380,992	\$579,344	\$627,882	(\$67,873)	\$1,800,805	\$952,805	\$988,472	\$890,379	\$1,048,768

665,909

# Citizens Communications Billing Model Summary By Company

*Public Services*

## December-00 Totals

Co Code	Company Description	Run Rate-00	YTD Total	Dec-00	Nov-00	Dec. vs Nov.		3rd Qtr	4th Qtr	4th Qtr vs 3rd Qtr	
						\$ Var	% Var			\$ Var	% Var
2000	Colorado Gas - Admi	35,780	429,361	35,951	15,765	20,186	128%	75,369	190,420	115,051	153%
2001	Santa Cruz Gas	23,979	287,748	21,210	23,508	-2,298	-10%	44,423	69,481	25,058	56%
2002	Northern Arizona Ga	440,435	5,285,227	435,004	382,148	52,856	14%	1,112,446	1,832,036	719,590	65%
2003	LGS - Administration	389,961	4,679,537	216,254	340,897	-124,643	-37%	989,723	975,562	-14,161	-1%
2004	LGS Intrastate	6,132	73,580	-4,784	4,276	-9,061	-212%	20,642	-33,753	-54,396	-264%
2005	LGS Natural	9,827	117,919	2,733	5,515	-2,782	-50%	15,086	40,912	25,826	171%
2009	Honolulu Gas	85,617	1,027,399	35,729	75,508	-39,779	-53%	212,992	164,236	-48,756	-23%
3000	Mohave Administrati	147,907	1,774,885	110,964	140,936	-29,972	-21%	374,279	394,200	19,921	5%
3001	Santa Cruz Administ	87,770	1,053,242	52,159	72,158	-19,999	-28%	180,955	317,382	136,426	75%
3002	Vermont Electric	32,823	393,877	18,422	28,790	-10,368	-36%	88,503	11,799	-76,704	-87%
3003	Kauai Electric	49,139	589,664	907	78,581	-77,674	-99%	120,292	114,262	-6,030	-5%
3999	PSO	-49	-588	0	0	0	0%	0	0	0	0%
4000	Mohave Water	90,929	1,091,153	112,078	69,909	42,169	60%	215,889	311,052	95,163	44%
4002	Tubac Valley	12,508	150,091	11,011	9,129	1,882	21%	38,681	24,129	-14,552	-38%
4003	Sun City Water	209,304	2,511,644	204,805	177,253	27,552	16%	516,414	627,348	110,934	21%
4004	Sun City Sewer	90,737	1,088,838	129,365	72,583	56,782	78%	241,871	307,895	66,024	27%
4005	Sun City West Water	242,204	2,906,449	291,592	206,460	85,132	41%	737,154	486,845	-250,309	-34%
4006	Agua Fria	96,187	1,154,240	129,623	90,245	39,378	44%	211,276	407,210	195,934	93%
4007	Havasui Water	8,892	106,706	8,167	5,496	2,671	49%	19,691	22,720	3,029	15%
4008	CU Water of PA	98,565	1,182,780	73,662	78,850	-5,188	-7%	257,819	284,374	26,555	10%
4009	CU Lake Heritage	10,068	120,812	15,170	10,952	4,218	39%	26,668	33,232	6,565	25%
4010	CU Home Water	55,965	671,576	83,284	44,386	38,898	88%	132,053	229,672	97,619	74%
4011	CU Blue Mtn Water	39,335	472,024	58,521	31,275	27,247	87%	104,320	117,120	12,800	12%
4012	Cu Glen Alsace	38,275	459,303	46,603	31,302	15,301	49%	86,147	120,974	34,827	40%
4013	Cal Water	200,462	2,405,549	288,166	142,544	145,621	102%	489,960	648,290	158,330	32%
4015	Illinois Water	228,477	2,741,723	383,565	164,231	219,333	134%	552,882	847,139	294,257	53%
4016	Flowing Wells	3,005	36,065	4,355	2,268	2,088	92%	6,893	14,781	7,888	114%
4017	Ohio Water	29,347	352,161	67,439	20,802	46,637	224%	63,770	121,582	57,812	91%
4018	CCS - Mohave	791	9,496	-479	280	-758	-271%	4,788	2,733	-2,054	-43%
4021	Citizens Water Reso	14,533	174,398	29,506	26,635	2,871	11%	38,386	105,027	66,641	174%
4022	Citizens Public Servi	20,028	240,336	15,933	18,198	-2,265	-12%	74,357	58,985	-15,372	-21%
4023	CWRC - TreatCo	73,777	885,321	164,778	103,074	61,704	60%	135,596	543,925	408,330	301%
4024	CWSC - DistCo	27,124	325,484	23,679	34,808	-11,129	-32%	59,983	141,058	81,075	135%
<b>PSS Totals:</b>		<b>2,899,833</b>	<b>34,797,999</b>	<b>3,065,377</b>	<b>2,508,765</b>	<b>556,612</b>	<b>22%</b>	<b>7,249,307</b>	<b>9,532,628</b>	<b>2,283,321</b>	<b>31%</b>
<b>Co. Other than PSS Totals:</b>		<b>76,092</b>	<b>913,103</b>	<b>12,007</b>	<b>83,092</b>	<b>-71,085</b>	<b>-86%</b>	<b>215,018</b>	<b>230,870</b>	<b>15,852</b>	<b>7%</b>
<b>Billing Model Grand Total:</b>		<b>2,975,925</b>	<b>35,711,102</b>	<b>3,077,384</b>	<b>2,591,857</b>	<b>485,527</b>	<b>19%</b>	<b>7,464,325</b>	<b>9,763,498</b>	<b>2,299,173</b>	<b>31%</b>

2 = 2,916,121

Citizens Communications Company  
Public Service Sector  
Total SAO - A & G

December 2001 vs Budget and December 2000

SAO Monthly Expense Comparison

ACTUAL 2001	BUDGET 2001	Variance \$	Variance %	ACTUAL 2000	Variance \$	Variance %
17,089	18,233	(1,144)	-6%	12,583	4,506	36%
7,812	9,646	(1,834)	-19%	6,795	1,017	15%
119,623	130,949	(11,326)	-9%	68,681	50,942	74%
290,023	290,023	0	0%	156,860	133,163	85%
166,007	161,283	4,724	3%	93,019	72,988	78%
600,554	610,134	(9,580)	-2%	337,938	262,616	78%
70,797	75,272	(4,475)	-6%	35,733	35,064	98%
33,201	42,872	(9,671)	-23%	24,596	8,605	35%
34,178	45,084	(10,906)	-24%	30,060	4,118	14%
107,905	122,762	(14,857)	-12%	67,541	40,364	60%
246,081	285,990	(39,909)	-14%	157,930	38,151	56%
144,035	3,600	140,435	3901%	83,723	60,312	72%
52,731	2,046	50,685	2477%	45,948	6,783	15%
71,285	75,123	(3,838)	-5%	44,416	26,869	60%
89,351	154,980	(65,629)	-42%	50,069	39,282	78%
1,465	1,751	(286)	-16%	1,561	(96)	-6%
20,995	3,371	17,624	523%	12,801	18,184	64%
379,862	240,871	138,991	58%	238,518	141,344	59%
1,226,497	1,136,995	89,502	8%	734,386	492,111	67%

SAO Year-to-Date Expense Comparison

ACTUAL 2001	BUDGET 2001	Variance \$	Variance %	ACTUAL 2000	Variance \$	Variance %
154,062	218,807	(64,745)	-30%	149,020	5,042	3%
70,427	115,761	(45,334)	-39%	79,524	(9,097)	-11%
1,078,430	1,571,432	(493,002)	-31%	1,033,979	44,451	4%
2,618,322	1,937,983	680,339	35%	2,678,987	(60,665)	-2%
1,496,595	1,935,440	(438,845)	-23%	1,436,476	60,119	4%
5,417,836	5,779,423	(361,587)	-6%	5,377,986	39,850	1%
638,253	903,297	(265,044)	-29%	592,806	45,447	8%
299,317	514,475	(215,158)	-42%	336,431	(37,114)	-11%
308,124	541,008	(232,884)	-43%	455,712	(147,588)	-32%
972,789	1,473,133	(500,344)	-34%	1,019,686	(46,897)	-5%
2,218,483	3,431,913	(1,213,430)	-35%	2,404,635	(186,152)	-8%
1,298,517	43,200	1,255,317	2906%	1,407,890	(109,373)	-8%
475,389	24,582	450,807	1834%	597,125	(121,736)	-20%
642,656	901,481	(258,825)	-29%	801,973	(159,317)	-20%
805,522	1,859,750	(1,054,228)	-57%	1,101,881	(296,359)	-27%
13,206	21,024	(7,818)	-37%	21,882	(8,676)	-40%
189,276	40,444	148,832	368%	222,867	(33,591)	-15%
3,424,566	2,890,481	534,085	18%	4,153,618	(729,052)	-18%
11,060,885	12,101,817	(1,040,932)	-9%	11,936,239	(875,354)	-7%

December 2000 vs Budget and December 1999

SAO Monthly Expense Comparison

ACTUAL	BUDGET	Variance	ACTUAL	Variance	Variance
2000	2000	(\$)	1999	(\$)	%
12,583	11,779	804	(3,258)	584	186%
6,795	6,365	430	(3,516)	1,030	293%
68,681	74,348	(5,667)	(21,640)	20,321	417%
56,859	237,987	(81,128)	(78,620)	24,354	31%
93,019	117,312	(24,293)	(29,921)	12,290	41%
37,937	447,991	(110,054)	(136,955)	34,892	347%
35,733	48,653	(12,920)	18,299	17,434	95%
24,596	21,191	3,405	3,927	20,569	526%
10,060	45,505	(15,445)	(1,423)	3,483	242%
7,541	81,808	(14,267)	25,461	42,080	165%
7,930	197,157	(39,227)	46,264	111,666	241%
3,722	104,485	(20,763)	(45,564)	19,286	42%
5,948	42,069	3,879	(27,675)	71,623	266%
4,416	60,429	(15,013)	(32,643)	77,059	236%
1,069	72,585	(22,516)	(41,185)	91,254	222%
561	966	(595)	(539)	33,170	590%
801	15,276	(2,167)	(9,925)	22,720	229%
517	295,810	(57,293)	(157,531)	346,048	251%
384	940,958	(205,574)	(248,222)	982,606	396%

SAO Year-to-Date Expense Comparison

ACTUAL	BUDGET	Variance	ACTUAL	Variance	Variance
2000	2000	(\$)	1999	(\$)	%
149,021	141,370	7,651	169,406	(20,385)	12%
79,527	76,424	3,103	104,362	(24,835)	24%
1,033,979	894,554	139,425	1,230,553	(196,574)	16%
2,678,987	2,855,866	(176,879)	2,826,278	(147,291)	5%
1,436,476	1,407,711	28,765	1,792,005	(355,529)	20%
5,377,990	5,375,925	2,065	6,122,604	(744,614)	12%
592,808	583,814	8,994	820,619	(227,811)	28%
336,432	254,237	82,195	414,760	(78,328)	19%
455,713	546,060	(90,347)	998,524	(542,811)	54%
1,019,687	981,696	37,991	1,255,151	(235,464)	19%
2,404,640	2,365,807	38,833	3,489,054	(1,084,414)	31%
1,407,890	1,253,809	154,081	1,737,725	(339,835)	19%
597,125	504,806	92,319	639,368	(42,243)	7%
801,974	725,115	76,859	933,867	(131,893)	14%
1,101,882	871,009	230,873	1,074,303	27,579	3%
21,883	11,669	10,214	16,684	5,199	31%
222,869	183,301	39,568	237,137	(14,268)	6%
4,153,623	3,549,709	603,914	4,639,084	(485,461)	10%
11,936,253	11,291,441	644,812	14,250,742	(2,314,489)	16%

Citizens Communications Company  
Public Service Sector  
Total DAO Allocations  
December 2001 vs Budget and December 2000

DAO Monthly Expense Comparison

ACTUAL 2001	BUDGET 2001	Variance \$	Variance %	ACTUAL 2000	Variance \$	Variance %
1,100	2,497	(1,397)	-56%	3,737	(2,637)	-71%
532	1,254	(722)	-58%	1,879	(1,347)	-72%
7,879	17,078	(9,199)	-54%	25,458	(17,579)	-69%
0	0	0	0%	68,676	(68,676)	-100%
10,680	23,806	(13,126)	-55%	35,699	(25,019)	-70%
20,191	44,635	(24,444)	-55%	135,449	(115,258)	-85%
4,621	23,121	(18,500)	-80%	40,924	(36,303)	-89%
2,145	5,012	(2,867)	-57%	7,640	(5,495)	-72%
2,277	5,499	(3,222)	-59%	8,172	(5,895)	-72%
6,931	16,098	(9,167)	-57%	23,971	(17,040)	-71%
15,974	49,730	(33,756)	-68%	80,707	(64,733)	-80%
6,513	25,394	(18,881)	-74%	28,847	(22,334)	-77%
3,476	10,138	(6,662)	-66%	13,221	(9,745)	-74%
4,207	10,263	(6,056)	-59%	14,386	(10,179)	-71%
5,776	15,771	(9,995)	-63%	21,080	(15,304)	-73%
88	242	(154)	-64%	277	(189)	-68%
1,359	3,781	(2,422)	-64%	4,489	(3,130)	-70%
21,419	65,589	(44,170)	-67%	82,300	(60,881)	-74%
57,584	159,954	(102,370)	-64%	298,456	(240,872)	-81%

DAO Year-to-Date Expense Comparison

ACTUAL 2001	BUDGET 2001	Variance \$	Variance %	ACTUAL 2000	Variance \$	Variance %
21,436	29,236	(7,800)	-27%	29,739	(8,303)	-28%
10,702	15,012	(4,310)	-29%	15,256	(4,554)	-30%
147,305	204,975	(57,670)	-28%	208,339	(61,034)	-29%
200,459	206,775	(6,316)	-3%	584,609	(384,150)	-66%
204,876	278,879	(74,003)	-27%	283,655	(78,779)	-28%
584,778	734,877	(150,099)	-20%	1,121,598	(536,820)	-48%
85,202	321,969	(236,767)	-74%	340,736	(255,534)	-75%
43,940	55,861	(11,921)	-21%	56,891	(12,951)	-23%
44,967	67,339	(22,372)	-33%	68,400	(23,433)	-34%
134,952	196,331	(61,379)	-31%	199,436	(64,484)	-32%
309,061	641,500	(332,439)	-52%	665,463	(356,402)	-54%
144,104	270,167	(126,063)	-47%	232,730	(88,626)	-38%
69,791	107,783	(37,992)	-35%	97,097	(27,306)	-28%
89,927	112,324	(22,397)	-20%	98,372	(8,445)	-9%
117,881	167,669	(49,788)	-30%	155,047	(37,166)	-24%
1,678	2,569	(891)	-35%	2,206	(528)	-24%
26,127	40,201	(14,074)	-35%	35,184	(9,057)	-26%
449,508	700,713	(251,205)	-36%	620,636	(171,128)	-28%
1,343,347	2,077,090	(733,743)	-35%	2,407,697	(1,064,350)	-44%

Citizens Communications Company  
Public Services Sector

DAO

December 2000 vs Budget and December 1999

DAO Monthly Expense Comparison

TOTAL	BUDGET	ACTUAL	Variance	Variance
100	2000	1999	\$	%
737	2,412	4,636	1,325	55%
879	1,644	2,655	235	14%
458	17,378	33,205	8,080	46%
676	49,796	95,152	18,880	38%
699	22,769	44,197	12,930	57%
449	93,999	179,845	41,450	44%
924	37,523	56,122	3,401	9%
640	5,650	9,230	1,990	35%
172	6,301	11,107	1,871	30%
371	17,390	32,280	6,581	38%
707	66,864	108,739	13,843	21%
347	21,641	38,012	7,206	33%
21	7,508	14,578	5,713	76%
86	12,036	23,461	2,350	20%
80	11,682	22,677	9,398	80%
77	198	324	79	40%
89	2,803	5,438	1,686	60%
88	55,868	104,490	6,452	12%
56	216,731	393,074	101,625	47%

DAO Year-to-Date Expense Comparison

Year-to-Date Comparison						
ACTUAL 2000	BUDGET 2000	Variance \$	Variance %	ACTUAL 1999	Variance \$	Variance %
29,739	30,412	(673)	-2%	55,309	(25,570)	-46%
15,256	20,325	(5,069)	-25%	31,883	(16,627)	-52%
208,339	218,833	(10,494)	-5%	394,735	(186,396)	-47%
584,609	627,012	(42,403)	-7%	1,131,693	(547,084)	-48%
283,654	287,082	(3,428)	-1%	523,098	(239,444)	-46%
1,121,597	1,183,664	(62,067)	-5%	2,136,718	(1,015,121)	-48%
340,737	453,521	(112,784)	-25%	600,333	(239,596)	-43%
56,892	69,864	(12,972)	-19%	110,402	(53,510)	-48%
68,400	78,810	(10,410)	-13%	135,077	(66,677)	-49%
199,437	218,439	(19,002)	-9%	386,811	(187,374)	-48%
665,466	820,634	(155,168)	-19%	1,232,623	(567,157)	-46%
232,730	270,945	(38,215)	-14%	464,425	(231,695)	-50%
97,095	94,693	2,402	3%	172,541	(75,446)	-44%
98,372	150,793	(52,421)	-35%	243,912	(145,540)	-60%
155,048	147,299	7,749	5%	268,396	(113,348)	-42%
2,206	2,529	(323)	-13%	4,485	(2,729)	-61%
35,184	35,322	(138)	-0%	64,359	(29,175)	-45%
620,635	701,581	(80,946)	-12%	1,218,118	(597,483)	-49%
2,407,698	2,703,879	(296,181)	-11%	4,587,459	(2,179,761)	-48%

**ARIZONA-AMERICAN WATER COMPANY**  
**2003 GENERAL RATE CASE**  
**DOCKET NOS. WS-01303A-02-0867, 0868, 0869, 0870, and 0908**  
**RESPONSE TO DATA REQUEST NO. AII 39-4**

Response provided by: David P. Stephenson  
Title: Director of Rates & Planning  
Company Name: American Water Works Service Company  
Address: 303 H Street, Suite 250  
Chula Vista, CA 91910

Company Response Number: AII 39-4

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- Q. Please provide a list of subsidiaries, affiliates, divisions or operating units to which American Water Works or any of its affiliates (including the Service Company) allocated its total overhead expenses or service company charges in 2002.
- A. Please see the attached file entitled AII 39-4.
- 



American Water Capital Corp allocates expenses and overhead to the entities listed below numbered 1 to 22.

American Water Works Service Company, Inc. allocates expenses and overhead to the entities listed below numbered 3 to 22.

COMPANY

- 1 American Water Works Company, Inc. (Parent)
- 2 American Water Works Service Company, Inc.
- 3 Arizona-American Water Company
- 4 Bluefield Valley Water Works Company
- 5 California-American Water Company
- 6 Hawaii-American Water Company
- 7 Illinois-American Water Company
- 8 Indiana-American Water Company, Inc.
- 9 Iowa-American Water Company
- 10 Kentucky-American Water Company
- 11 Long Island Water Corporation
- 12 Maryland-American Water Company
- 13 Michigan-American Water Company
- 14 Missouri-American Water Company
- 15 New Jersey-American Water Company, Inc.
- 16 New Mexico-American Water Company, Inc.
- 17 Ohio-American Water Company
- 18 Pennsylvania-American Water Company, Inc.
- 19 Tennessee-American Water Company
- 20 United Water Virginia, Inc.
- 21 Virginia-American Water Company
- 22 West Virginia-American Water Company

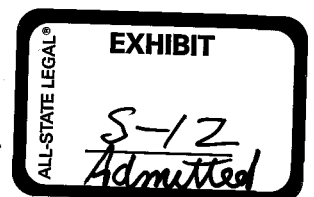
**ARIZONA-AMERICAN WATER COMPANY  
2003 GENERAL RATE CASE  
DOCKET NOS. WS-01303A-02-0867, 0868, 0869, 0870, and 0908  
RESPONSE TO DATA REQUEST NO. AII 39-1**

Response provided by: David P. Stephenson  
Title: Director of Rates & Planning  
Company Name: American Water Works Service Company  
Address: 303 H Street, Suite 250  
Chula Vista, CA 91910

Company Response Number: AII 39-1

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- Q. Please provide the 2002 consolidated income statement only for the ten systems involved in this proceeding. Also provide a copy of the 2002 income statement for each of the ten systems.
- A. Please see the attached file entitled AII 39-1.
- 



83500  
GL023USR  
ISGRCONLY

Income Statement  
Filed Systems Only & Corporate  
For the Period Ending December 31, 2002

Arizona-American Water Co.

Description	Yr to Date December Actual
1 OPERATING REVENUES	
2 Water	26,748,402
3 Sewer	8,778,157
4 Other	3,442,021
5 Management	
6 Total Revenues	38,968,580
7 OPERATIONS & MAINTENANCE EXPENSE	
8 Labor	3,649,780
9 Purchased Water	3,585,594
10 Fuel & Power	3,928,681
11 Chemicals	332,668
12 Waste Disposal	2,866,598
13 Management Fees	4,426,078
14 Group Insurance	595,877
15 Pensions	5934
16 Regulatory Expense	4,001
17 Insurance Other Than Group	205,175
18 Customer Accounting	328,986
19 Rents	148,668
20 General Office Expense	445,746
21 Miscellaneous	3,223,506
25 Other Maintenance	601,792
Total Maintenance & Operations Expense	24,349,082
27 Depreciation	9,259,332
28 Amortization	252,939
29 General Taxes	1,752,692
30 State Income Taxes	-146190
31 Federal Income Taxes	-649777
32 Tax Savings Acquisition Adjustment	
33 Total Operating Expenses	34,818,078
34 Utility Operating Income	4,148,502
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	22,352
40 AFUDC Equity	677,257
41	
42 M & J Miscellaneous Income	-17,074
43 Gain(Loss)on Disposition	
45 Total Other Income	682,535
46 Miscellaneous Amortization	
47 Tax Savings Acquisition Adjustment	
48 Misc. Other Deductions	640,051
49 General Taxes	
50 State Income Taxes	3041
51 Federal Income Taxes	-42676
52 Total Other Deductions	600,417
53 Total Other Income	82,118
54 Income Before Interest Charges	4,230,620
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	7,683,778
57 Amortization and Debt Expense	29,632
58 Interest-Short Term Bank Debt	35,826
59 Other Interest Expense	36,075
60 AFUDC-Debt	-256398
61 Total Interest Charges	7,528,913
62 Net Income	-3,298,293
64 Preferred Dividend Declared	
65 Net Income to Common Stock	-3,298,293

GL023USR  
ISMOANTHSW

83500 American Water Works Company  
AF/Anthem WasteWater (2382,2384)  
Income Statement  
As of December 31, 2002

Arizona-American Water Co. Description	YTD
1 OPERATING REVENUES	
2 Water	1,674,116
3 Sewer	1,003,430
4 Other	864,289
5 Management	
6 Total Revenues	3,541,835
7 OPERATIONS & MAINTENANCE EX	
8 Labor	201,987
9 Purchased Water	
10 Fuel & Power	40,121
11 Chemicals	45,607
12 Waste Disposal	1,715,623
13 Management Fees	
14 Group Insurance	22,951
15 Pensions	-36
16 Regulatory Expense	
17 Insurance Other Than Group	-183
18 Customer Accounting	562
19 Rents	41,186
20 General Office Expense	3,569
21 Miscellaneous	82,545
25 Other Maintenance	10,136
Total Maintenance & Operation	2,164,068
27 Depreciation	148,372
28 Amortization	
29 General Taxes	141,479
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	2,453,919
34 Utility Operating Income	1,087,916
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	106,394
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	106,394
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	106,394
54 Income Before Interest C	1,194,310
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-42317
61 Total Interest Charges	-42317
62 Net Income	1,236,627

GL023USR	83500	American Water Works Compa
ISMOANTHWT		Anthem Water (2381,2383)
		Income Statement
		As of December 31, 2002
Arizona-American Water Co.		
Description		YTD
1 OPERATING REVENUES		
2 Water		3,756,619
3 Sewer		-3887
4 Other		1,304,700
5 Management		
6 Total Revenues		5,057,432
7 OPERATIONS & MAINTENANCE EX		
8 Labor		304,918
9 Purchased Water		1,897,901
10 Fuel & Power		620,567
11 Chemicals		20,176
12 Waste Disposal		19,564
13 Management Fees		
14 Group Insurance		38,776
15 Pensions		277
16 Regulatory Expense		
17 Insurance Other Than Group		-508
18 Customer Accounting		10,974
19 Rents		2,910
20 General Office Expense		11,915
21 Miscellaneous		281,896
25 Other Maintenance		51,311
Total Maintenance & Operation		3,260,677
27 Depreciation		1,745,385
28 Amortization		
29 General Taxes		149,680
30 State Income Taxes		
31 Federal Income Taxes		
32 Tax Savings Acquisition		
33 Total Operating Expenses		5,155,742
34 Utility Operating Income		-98310
35 OTHER INCOME & DEDUCTIONS		
36 Non-Operating Rental Incom		
37 Dividend Income-Common		
38 Dividend Income-Preferred		
39 Interest Income		
40 AFUDC Equity		325,398
41		
42 M & J Miscellaneous Income		4,134
43 Gain(Loss)on Disposition		
45 Total Other Income		329,532
46 Miscellaneous Amortization		
47 Tax Savings Acquisition		
48 Misc. Other Deductions		
49 General Taxes		
50 State Income Taxes		
51 Federal Income Taxes		
52 Total Other Deductions		
53 Total Other Income		329,532
54 Income Before Interest C		231,222
55 INTEREST CHARGES		
56 Interest on Long-Term Debt		
57 Amortization and Debt		
58 Interest-Short Term Bank		
59 Other Interest Expense		
60 AFUDC-Debt		-122565
61 Total Interest Charges		-122565
62 Net Income		353,787

GL023USR  
ISMON2361

83500 American Water Works Com  
Agua Fria  
Income Statement  
As of December 31, 2002

AZ-Agua Fria Description	YTD
1 OPERATING REVENUES	
2 Water	6,378,404
3 Sewer	
4 Other	986,116
5 Management	
6 Total Revenues	7,362,520
7 OPERATIONS & MAINTENANCE EX	
8 Labor	437,711
9 Purchased Water	819,426
10 Fuel & Power	615,906
11 Chemicals	8,701
12 Waste Disposal	
13 Management Fees	-508
14 Group Insurance	37,992
15 Pensions	-321
16 Regulatory Expense	867
17 Insurance Other Than Group	-10526
18 Customer Accounting	20,800
19 Rents	1,075
20 General Office Expense	42,687
21 Miscellaneous	187,362
25 Other Maintenance	113,367
Total Maintenance & Operation	2,274,539
27 Depreciation	1,455,187
28 Amortization	
29 General Taxes	272,357
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	4,002,093
34 Utility Operating Income	3,360,427
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	94,353
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	94,353
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	450
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	450
53 Total Other Income	93,903
54 Income Before Interest C	3,454,330
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-39021
61 Total Interest Charges	-39021
62 Net Income	3,493,351
64 Preferred Dividend Declare	

GL023USR  
ISMON2362

83500 American Water Works Com  
Sun City Water  
Income Statement  
As of December 31, 2002

AZ-Sun City Water Description	YTD
1 OPERATING REVENUES	
2 Water	6,403,769
3 Sewer	
4 Other	109,997
5 Management	
6 Total Revenues	6,513,766
7 OPERATIONS & MAINTENANCE EX	
8 Labor	804,816
9 Purchased Water	544,557
10 Fuel & Power	1,430,730
11 Chemicals	19,673
12 Waste Disposal	
13 Management Fees	
14 Group Insurance	119,943
15 Pensions	-3119
16 Regulatory Expense	2,272
17 Insurance Other Than Group	-4693
18 Customer Accounting	21,286
19 Rents	1,881
20 General Office Expense	56,340
21 Miscellaneous	290,986
25 Other Maintenance	98,011
Total Maintenance & Operation	3,382,663
27 Depreciation	1,064,785
28 Amortization	
29 General Taxes	321,627
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	4,769,085
34 Utility Operating Income	1,744,671
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	40,173
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	40,173
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	48
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	48
53 Total Other Income	40,125
54 Income Before Interest C	1,784,796
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-15856
61 Total Interest Charges	-15856
62 Net Income	1,800,652

GL023USR	83500 American Water Works Com
ISMON2363	Sun City WasteWater
	Income Statement
	As of December 31, 2002
AZ-Sun City Wastewater	
Description	YTD
1 OPERATING REVENUES	
2 Water	-245
3 Sewer	4,570,297
4 Other	1,485
5 Management	
6 Total Revenues	4,571,537
7 OPERATIONS & MAINTENANCE EX	
8 Labor	69,405
9 Purchased Water	
10 Fuel & Power	17,483
11 Chemicals	9,420
12 Waste Disposal	1,127,082
13 Management Fees	
14 Group Insurance	9,261
15 Pensions	122
16 Regulatory Expense	
17 Insurance Other Than Group	
18 Customer Accounting	762
19 Rents	6,831
20 General Office Expense	20,765
21 Miscellaneous	74,916
25 Other Maintenance	36,849
Total Maintenance & Operation	1,372,896
27 Depreciation	444,249
28 Amortization	
29 General Taxes	196,014
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	2,013,159
34 Utility Operating Income	2,558,378
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	17,645
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	17,645
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	17,645
54 Income Before Interest C	2,576,023
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-7617
61 Total Interest Charges	-7617
62 Net Income	2,583,640
64 Preferred Dividend Declare	

GL023USR  
ISMON2364

83500 American Water Works Com  
Sun City West Water  
Income Statement  
As of December 31, 2002

AZ-Sun City West Water  
Description

YTD

1 OPERATING REVENUES	
2 Water	3,640,842
3 Sewer	
4 Other	29,931
5 Management	
6 Total Revenues	3,670,773
7 OPERATIONS & MAINTENANCE EX	
8 Labor	338,789
9 Purchased Water	308,654
10 Fuel & Power	601,281
11 Chemicals	7,911
12 Waste Disposal	
13 Management Fees	
14 Group Insurance	33,862
15 Pensions	-248
16 Regulatory Expense	862
17 Insurance Other Than Group	-7781
18 Customer Accounting	8,850
19 Rents	1,006
20 General Office Expense	22,201
21 Miscellaneous	130,546
25 Other Maintenance	16,028
Total Maintenance & Operation	1,461,961
27 Depreciation	802,610
28 Amortization	
29 General Taxes	182,638
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	2,447,209
34 Utility Operating Income	1,223,564
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	8,208
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	8,208
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	8,208
54 Income Before Interest C	1,231,772
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-3027
61 Total Interest Charges	-3027
62 Net Income	1,234,799
64 Preferred Dividend Declare	

GL023USR  
ISMON2385

83500 American Water Works Compa  
Sun City West WasteWater  
Income Statement  
As of December 31, 2002

AZ-Sun City West Wastewater  
Description

YTD

1 OPERATING REVENUES	
2 Water	
3 Sewer	3,208,317
4 Other	604
5 Management	
6 Total Revenues	3,208,921
7 OPERATIONS & MAINTENANCE EX	
8 Labor	419,731
9 Purchased Water	
10 Fuel & Power	200,019
11 Chemicals	214,192
12 Waste Disposal	4,329
13 Management Fees	
14 Group Insurance	63,690
15 Pensions	87
16 Regulatory Expense	
17 Insurance Other Than Group	-194
18 Customer Accounting	742
19 Rents	3,252
20 General Office Expense	24,089
21 Miscellaneous	256,259
25 Other Maintenance	186,676
Total Maintenance & Operation	1,372,852
27 Depreciation	1,550,875
28 Amortization	
29 General Taxes	201,118
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	3,124,845
34 Utility Operating Income	84,076
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	8,439
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	8,439
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	8,439
54 Income Before Interest C	92,515
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-3265
61 Total Interest Charges	-3265
62 Net Income	95,760
64 Preferred Dividend Declare	

GL023USR  
ISMON2371

83500 American Water Works Com  
Mohave Water  
Income Statement  
As of December 31, 2002

AZ-Mohave Water  
Description

YTD

1 OPERATING REVENUES	
2 Water	4,240,308
3 Sewer	
4 Other	111,409
5 Management	
6 Total Revenues	4,351,717
7 OPERATIONS & MAINTENANCE EX	
8 Labor	587,618
9 Purchased Water	15,029
10 Fuel & Power	337,995
11 Chemicals	6,535
12 Waste Disposal	
13 Management Fees	-1493
14 Group Insurance	89,180
15 Pensions	-240
16 Regulatory Expense	
17 Insurance Other Than Group	-1223
18 Customer Accounting	27,767
19 Rents	77,626
20 General Office Expense	87,640
21 Miscellaneous	167,782
25 Other Maintenance	72,446
Total Maintenance & Operation	1,466,642
27 Depreciation	916,912
28 Amortization	
29 General Taxes	303,622
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	2,687,178
34 Utility Operating Income	1,664,541
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	26,068
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	26,068
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	26,068
54 Income Before Interest C	1,690,609
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-12132
61 Total Interest Charges	-12132
62 Net Income	1,702,741
64 Preferred Dividend Declare	

83500  
GL023USR  
ISMON2373

American Water Works Company  
Havasu Water  
Income Statement by Month  
As of December 31, 2002

AZ-Havasu Water  
Description

YTD

1 OPERATING REVENUES	
2 Water	380,186
3 Sewer	
4 Other	7,555
5 Management	
6 Total Revenues	387,741
7 OPERATIONS & MAINTENANCE EX	
8 Labor	112,144
9 Purchased Water	27
10 Fuel & Power	52,725
11 Chemicals	1,086
12 Waste Disposal	
13 Management Fees	
14 Group Insurance	16,950
15 Pensions	-141
16 Regulatory Expense	
17 Insurance Other Than Group	-1498
18 Customer Accounting	16,774
19 Rents	3,335
20 General Office Expense	11,399
21 Miscellaneous	37,633
25 Other Maintenance	5,262
Total Maintenance & Operation	255,696
27 Depreciation	76,006
28 Amortization	
29 General Taxes	26,101
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	357,803
34 Utility Operating Income	29,938
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	7,360
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	7,360
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	7,360
54 Income Before Interest C	37,298
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-2695
61 Total Interest Charges	-2695
62 Net Income	39,993

GL023USR  
ISMON2389

83500 American Water Works Com  
Tubac  
Income Statement  
As of December 31, 2002

AZ-Tubac  
Description

YTD

1 OPERATING REVENUES	
2 Water	273,005
3 Sewer	
4 Other	1,739
5 Management	
6 Total Revenues	274,744
7 OPERATIONS & MAINTENANCE EX	
8 Labor	65,303
9 Purchased Water	
10 Fuel & Power	11,098
11 Chemicals	
12 Waste Disposal	
13 Management Fees	
14 Group Insurance	5,772
15 Pensions	30
16 Regulatory Expense	
17 Insurance Other Than Group	-13
18 Customer Accounting	89
19 Rents	2,505
20 General Office Expense	7,282
21 Miscellaneous	24,249
25 Other Maintenance	3,508
Total Maintenance & Operation	119,823
27 Depreciation	54,829
28 Amortization	
29 General Taxes	25,403
30 State Income Taxes	
31 Federal Income Taxes	
32 Tax Savings Acquisition	
33 Total Operating Expenses	200,055
34 Utility Operating Income	74,689
35 OTHER INCOME & DEDUCTIONS	
36 Non-Operating Rental Income	
37 Dividend Income-Common	
38 Dividend Income-Preferred	
39 Interest Income	
40 AFUDC Equity	2,881
41	
42 M & J Miscellaneous Income	
43 Gain(Loss)on Disposition	
45 Total Other Income	2,881
46 Miscellaneous Amortization	
47 Tax Savings Acquisition	
48 Misc. Other Deductions	
49 General Taxes	
50 State Income Taxes	
51 Federal Income Taxes	
52 Total Other Deductions	
53 Total Other Income	2,881
54 Income Before Interest C	77,570
55 INTEREST CHARGES	
56 Interest on Long-Term Debt	
57 Amortization and Debt	
58 Interest-Short Term Bank	
59 Other Interest Expense	
60 AFUDC-Debt	-1156
61 Total Interest Charges	-1156
62 Net Income	78,728
64 Preferred Dividend Declare	

1 there a particular cutoff date that you would request,  
2 in other words, what, in that circumstance, what, in  
3 your opinion, would be an appropriate cutoff date in  
4 relation to the hearing?

5 A. I believe obviously it's got to be before the  
6 hearing, it's got to allow Staff to review, say in the  
7 rebuttal testimony at this time.

8 Q. Would you agree that it would be ideal for  
9 Staff to not only be able to inspect the plant  
10 physically, but also be able to audit it as well,  
11 before they file testimony?

12 A. Yes, I do.

13 Q. Would you agree that while Staff was able to  
14 physically inspect it, that it would not be able to  
15 complete an audit of the plant in this case?

16 A. That's true, because our books were not even  
17 closed for the month of March, when Staff was out to  
18 do the physical.

19 Q. Would you agree that this company routinely  
20 engages in extensive planning of its capital  
21 improvement projects?

22 A. We always have at least a five-year window  
23 available.

24 Q. Would you agree that it's the company that  
25 controls when it files the rate case?

1 A. For the most part, yes.

2 Q. And would you agree that the company controls  
3 the choice of an appropriate test year?

4 A. Yes, it does.

5 Q. Mr. Stephenson, I understand that you're  
6 responsible for coordinating the company's rate case  
7 filing; isn't that correct?

8 A. That's correct.

9 Q. And I could be wrong, but I didn't see any  
10 testimony that you filed on rate design; is that  
11 correct?

12 A. I don't believe there was any testimony on  
13 rate design, that we basically adopted the prior rate  
14 design, even though we did a cost of service study.  
15 In this case it showed that the rate design was  
16 probably off, but we just said for ease of the  
17 application and ease of a decision, just to apply a  
18 uniform increase.

19 Q. Just so I understand, the company's position  
20 is to use the rate design from the last case and carry  
21 it forward?

22 A. That's correct.

23 Q. Have you reviewed the proposed rate design  
24 that Mr. Carlson filed with his direct testimony?

25 A. Yes, I have.

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

MIKE GLEASON

Commissioner

IN THE MATTER OF THE APPLICATIONS OF )  
ARIZONA-AMERICAN WATER COMPANY, )  
INC., AN ARIZONA CORPORATION, FOR A )  
DETERMINATION OF THE CURRENT FAIR )  
VALUE OF ITS UTILITY PLANT AND )  
PROPERTY AND FOR INCREASES IN ITS )  
RATES AND CHARGES BASED THEREON )  
FOR UTILITY SERVICE BY ITS SUN CITY )  
WEST WATER AND WASTEWATER )  
DISTRICTS, SUN CITY WATER AND )  
WASTEWATER DISTRICTS, MOHAVE AND )  
HAVASU WATER DISTRICTS, AGUA FRIA )  
AND ANTHEM WATER AND WASTEWATER )  
DISTRICTS, AND TUBAC WATER DISTRICT )  
\_\_\_\_\_ )

DOCKET NOS. WS-01303A-02-0867  
WS-01303A-02-0868  
W-01303A-02-0869  
WS-01303A-02-0870  
W-01303A-02-0908

DIRECT

TESTIMONY

OF

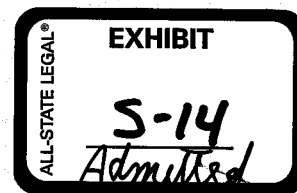
ALEXANDER IBHADE IGWE, CPA

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

SEPTEMBER 5, 2003



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**EXECUTIVE SUMMARY**  
**ARIZONA-AMERICAN WATER COMPANY, INC.**  
**DOCKET NOS. WS-01303-02-0867, ET AL.**

For the ten systems consolidated in this proceeding, Arizona-American Water Company, Inc.'s ("AAWC" or "Company") seeks to eliminate \$3,181,235 of Citizens recorded test year corporate overhead expenses. The Company claims that Citizens' costs no longer represent the overhead expenses necessary to operate the ten systems on a going-forward basis. In its place, the Company proposes to substitute \$4,624,940 of Service Company charges and \$3,136,118 of projected additional expenses, a total of \$7,761,058, for Citizens' test year overhead expenses. The Company's proposal is based on extrapolation from costs incurred between April and July 2002, a period outside of the test year. Staff recommends rejecting the Company's proposed pro forma adjustment because the projected overhead expenses are not known and measurable, create a mismatch between test year revenues, expenses and rate base and increase corporate overhead by \$4,579,823 without commensurate benefits to ratepayers.

Similarly, in aggregate for the ten systems, AAWC proposes to substitute \$3,736,791 of its projected salaries, wages and related expenses for \$4,312,389 of Citizens' recorded test year expenses. Although AAWC's proposal results in a decrease of \$575,598 to operating expenses, Staff recommends denying the adjustment because the Company's projected costs are not known and measurable and create a mismatch with test year revenues, other expenses and rate base.

For the Anthem and Agua Fria water systems, the Company proposes to substitute its projected purchased water expenses for Citizens' recorded costs. The Company derived its proposed purchased water expenses for Anthem and Agua Fria by multiplying the projected quantity for each system by 2002 costs per acre-foot. The Company's proposal creates a mismatch between revenues and expenses because it only reflects the increase in purchased water expense without a corresponding increase in revenues for the additional projected quantity sold. Staff recommends purchased water expense which recognizes 2001 volume at 2002 rates, since 2002 rates are a known and measurable change.

Staff also recommends adjustments to depreciation expense, property taxes and income taxes.

**INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Utilities Division of the Arizona Corporation Commission ("Commission") as a Public Utilities Analyst IV.

**Q. Briefly summarize your educational and professional qualifications related to your responsibility in the field of utility regulation.**

A. I hold a Bachelor of Science Degree in Accounting from the University of Benin, Nigeria and a Master of Information Systems Management degree from Keller Graduate School of Management of DeVry University. I am a Certified Public Accountant and a member of the American Institute of Certified Public Accountants ("AICPA"). I have attended training classes and courses regarding regulatory audits, rate-making, and other utility related matters. In addition, in my five years working for the Utilities Division of the Commission ("Staff"), I have prepared Staff Reports and prefiled testimonies and presented oral testimonies in water, gas and electric utility rate and finance proceedings before the Commission.

**PURPOSE OF TESTIMONY**

**Q. What is the purpose of your testimony in this proceeding?**

A. I am presenting the Utilities Division Staff's analysis and recommendations for test year operating revenues and expenses regarding each of the ten utility systems in the five

divisions of Arizona-American Water Company, Inc.'s ("AAWC" or "Company") consolidated application for a permanent change in rates.

**Q. What are Staff's adjusted test year, and the Company's reported test year, operating income results in aggregate for the ten systems?**

A. In aggregate for the ten systems, Staff's adjusted test year results show revenues of \$35,351,457, expenses of \$29,609,024, and an operating income of \$5,742,433 for a 6.26 percent rate of return on an original cost rate base ("OCRB") of \$91,719,544. The Company's test year results for the ten systems, as filed, show revenues of \$35,351,457, expenses of \$30,964,305 and operating income of \$4,387,152 for a 2.69 percent rate of return on test year original cost rate base ("OCRB") of \$162,938,016.

### **SUMMARY OF ADJUSTMENTS**

**Q. Please summarize the adjustments addressed in Staff's revenue and expense testimony.**

A. Staff's analysis addresses the following adjustments:

#### Corporate Cost Allocations

In aggregate for the ten systems, Staff's corporate cost allocation adjustment decreases operating expenses by \$4,579,823. It reverses AAWC's pro forma adjustment to remove \$3,181,235 of Citizens' recorded test year corporate cost allocations to the ten systems and replaces them with \$4,624,940 of projected Service Company charges and \$3,136,118 of projected additional expenses. AAWC's projected overhead expenses are not known and measurable. They were derived by an extrapolation from costs incurred outside the test year for the period April through July 2002 creating a mismatch between test year revenues, expenses and rate base. The Company proposal is also inappropriate because it

1 increases total operating expenses by \$4,579,823 without a commensurate benefit to  
2 ratepayers.

3  
4 Salaries, Wages and Related Expenses

5 In aggregate for the ten systems, this adjustment decreases operating expenses by  
6 \$575,598. It eliminates the Company's pro forma adjustment to substitute \$3,736,791 of  
7 its projected salaries, wages and related expenses for \$4,312,389 of Citizens' recorded test  
8 year expenses. AAWC's proposal is based on an extrapolation of costs incurred outside  
9 the test year. It is not known and measurable and creates a mismatch between revenues,  
10 expenses and rate base.

11  
12 Depreciation Expense

13 For the ten systems, this adjustment results from Staff's application of Commission  
14 approved depreciation rates to Staff's recommended plant in service. It adjusts for  
15 amortization of contributions-in-aid-of-construction ("CIAC") and the amortization of  
16 deferred regulatory assets. It eliminates AAWC's pro forma adjustment to recognize  
17 amortization of the acquisition adjustment related to the purchase of the ten systems from  
18 Citizens Communications, Inc. ("Citizens").

19  
20 Property Taxes

21 For each of the ten systems, this adjustment reflects Staff's recomputation of property  
22 taxes based on an adaptation of the Arizona Department of Revenue's ("ADOR")  
23 Centrally Valued Properties methodology. This adjustment results mainly from Staff's  
24 calculation of average revenues for the historical period based on two times the adjusted  
25 test year revenues and Staff's recommended revenues instead of the Company's use of its

1 test year revenues, adjusted test year revenues and proposed revenues for calculation of  
2 average revenues.

3  
4 Income Taxes

5 This adjustment reflects the impact of Staff's other adjustments to test year expenses.

6  
7 Purchased Water Expense

8 This adjustment was made to remove a mismatch between quantity of water purchased  
9 and sold in the Company's pro forma adjustment for the Anthem and Agua Fria systems.

10  
11 **OPERATING INCOME**

12 **Q. How is Staff's testimony on operating income organized?**

13 A. Staff's testimony on operating income discusses each issue for which an adjustment is  
14 recommended collectively for the ten systems. Additionally, interrelated adjustments are  
15 discussed together under the same heading to present a more cohesive understanding of  
16 the net effect. For example, AAWC's proposal to replace Citizens' corporate cost  
17 allocation with its proposed Service Company Charges and projected additional expenses  
18 are discussed under the heading corporate cost allocations. Similarly, Staff's adjustment  
19 to the Company's proposal to substitute its projected salaries, wages and related expenses  
20 for Citizens' test year salaries, wages and related expenses are discussed under a common  
21 heading titled salaries and wages. Although, related adjustments are discussed  
22 collectively, each adjustment is shown separately on Staff's schedules. Staff's schedules  
23 are organized so that all schedules related to any one of the ten systems are presented  
24 together as a set. Thus, the operating income schedules for each system are presented  
25 along with revenue requirement, rate base and rate design schedules for each of the ten

1            respective systems so that all of the schedules pertaining to a particular system are in  
2            succession.

3  
4    **REVENUES**

5    **Q.    Did Staff review AAWC's proposed test year revenue for each of the ten systems?**

6    **A.    Yes. For each of the ten systems, Staff reviewed AAWC's test year revenues and Staff**  
7           has adopted them.

8  
9    **EXPENSES**

10   **CORPORATE COST ALLOCATIONS**

11  
12   **Summary of Corporate Cost Allocations**

13   **Q.    Would Staff please provide an overview explaining AAWC's multiple pro forma**  
14           **adjustments pertaining to corporate cost allocations for the ten systems in its**  
15           **filings?**

16   **A.    Yes. In aggregate for the ten systems, AAWC proposes to remove \$3,181,235 of**  
17           corporate costs recorded by Citizens in the test year and replace these costs with  
18           \$4,624,940 of estimated costs from its affiliate ("Service Company") and \$3,138,118 of  
19           projected overhead expenses. The Company's proposal results in a \$4,579,823 net  
20           increase to corporate expenses, as shown on Table I, line 11 below.

1

TABLE I

**AAWC's PRO FORMA ADJUSTMENTS FOR CORPORATE COST ALLOCATIONS**

<b><u>SYSTEM</u></b>	<b><u>CITIZENS<sup>(1)</sup></u></b>	<b><u>SERVICE<sup>(2)</sup></u></b>	<b><u>PROJECTED<sup>(3)</sup></u></b>	<b><u>TOTAL</u></b>
	<b><u>RECORDED</u></b>	<b><u>COMPANY</u></b>	<b><u>OVERHEAD</u></b>	
1 SUN CITY WATER	(\$741,540)	\$ 926,122	\$ 860,980	\$ 1,045,562
2 SUN CITY WASTE WATER	(\$437,588)	\$ 522,586	\$ 320,555	\$ 405,553
3 SUN CITY WEST WATER	(\$366,251)	\$ 515,886	\$ 300,468	\$ 450,103
4 SUNCITY WEST WASTE WATER	(\$448,109)	\$ 552,478	\$ 332,507	\$ 436,876
5 ANTHEM/AGUA FRIA WASTE WATER	(\$83,978)	\$ 287,577	\$ 146,553	\$ 350,152
6 AGUA FRIA WATER	(\$385,897)	\$ 713,274	\$ 324,638	\$ 652,015
7 ANTHEM WATER	(\$188,806)	\$ 472,080	\$ 300,995	\$ 584,269
8 MOHAVE WATER	(\$436,643)	\$ 521,040	\$ 445,434	\$ 529,831
9 HAVASU WATER	(\$64,494)	\$ 75,244	\$ 70,882	\$ 81,632
10 TUBAC WATER	(\$27,929)	\$ 38,653	\$ 33,106	\$ 43,830
AAWC's PRO FORMA ADJUSTMENTS TO				
11 OPERATING EXPENSES	(\$3,181,235)	\$4,624,940	\$3,136,118	\$4,579,823
12 OPERATING EXPENSES CAPITALIZED	(\$500,000)	\$0	\$0	(\$500,000)
13 TOTAL AAWC PRO FORMA ADJUSTMENTS	(\$3,681,235)	\$4,624,940	\$3,136,118	\$4,079,823

(1) AAWC's pro forma adjustment No. 1

(2) AAWC's pro forma adjustment No. 3

(3) AAWC's pro forma adjustment No. 10

2

3 Operating Income Adjustment Nos. 1, 2 and 3 – Corporate Cost Allocations, Service Company

4 Charges & Projected Additional Expenses

5

6 **Q. Please explain why AAWC's \$3,681,235 of pro forma adjustments to reduce Citizens'**  
7 **test year corporate cost allocations only resulted in a \$3,181,235 reduction to**  
8 **operating expenses?**

9 **A.** As shown on Table I, AAWC's proposed adjustment includes a \$3,181,235 removal of  
10 Citizens' recorded test year overhead expenses and a \$500,000 reclassification from  
11 operating expense to rate base. The \$500,000 reclassification pertains to an expenditure in  
12 the Sun City wastewater system for the Tolleson trickling filter. Thus, AAWC's proposed  
13 adjustment to remove \$3,681,235 of Citizens' test year corporate overhead expenses

1 consists of a \$500,000 reclassification from expense to rate base and a \$3,181,235  
2 elimination of Citizens recorded test year corporate overhead expense.

3  
4 **Q. What is AAWC's explanation for its pro forma adjustments to eliminate Citizens'**  
5 **recorded test year overhead expenses from the operating expenses of its ten systems?**

6 A. The Company's witness, Mr. Bourassa, claims in his testimony that with the transfer of  
7 Citizens' systems to AAWC, Citizens' corporate expenses do not reflect the expenses of  
8 AAWC on a going-forward basis. In addition, the Company's witness, Mr. Stephenson,  
9 states in his testimony that "...these expenses pertain to Citizens' management fees of  
10 Citizens' assets in Arizona, not expenses that will be incurred under the ownership and  
11 management of Arizona-American." See Stephenson's Direct Testimony, page 15, lines 5  
12 through 7.

13  
14 **Q. Are the Company's justifications for its pro forma adjustments to eliminate Citizens'**  
15 **corporate cost allocations consistent with sound rate-making principles?**

16 A. No. The Company's pro forma adjustments eliminate actual test year corporate costs.  
17 The Company has not shown that the recorded test year corporate overhead amounts are  
18 insufficient with efficient management. In addition, the Company has not demonstrated  
19 that its proposal would result in a normal or more realistic relationship between revenues,  
20 expenses and rate base. Unless the Company can demonstrate otherwise, its pro forma  
21 adjustment to eliminate Citizens' corporate cost allocations is inconsistent with the  
22 historical test year convention and it creates a mismatch between test year revenues,  
23 expenses and rate base for each system. Therefore, the Company's corporate cost  
24 allocation is inconsistent with sound rate-making principles.

1    **Q.    Is the Company reclassification to capitalize costs for the Tolleson trickling filter in**  
2           **the Sun City wastewater system from operating expenses to rate base consistent with**  
3           **generally accepted accounting principles ("GAAP")?**

4    **A.**    Yes. The Company asserts that, "Because these payments have already been made for a  
5           capital item, the total \$500,000 should be considered a capitalized investment and spread  
6           over the remaining term of the Agreement with Tolleson. This payment to Tolleson is for  
7           the benefit of present and future ratepayers and as such these present and future ratepayers  
8           should share in the costs." Under GAAP, a cost should be attributed to the periods  
9           benefited. Therefore, the Company's justification for capitalizing and method of  
10          amortizing the Tolleson trickling filter costs is consistent with GAAP and should be  
11          accepted. Staff recommends approval of the Company's proposal to capitalize \$500,000  
12          of Tolleson trickling filter cost.

13  
14   **Q.    What does Staff recommend for AAWC's corporate cost?**

15   **A.**    As shown on Schedule AII-3 for each system, Staff recommends denial of AAWC's pro  
16          forma adjustment to eliminate \$3,181,235 of Citizens' test year corporate cost allocations  
17          from this proceeding. Staff recommends actual test year expenses.

18  
19   **Q.    What is AAWC's proposal regarding Service Company charges?**

20   **A.**    As shown on Schedule C-2, Adjustment 3, of AAWC's filings, the Company proposes to  
21          substitute its estimated Service Company charges for Citizens' test year corporate cost  
22          allocations. The Company's proposed Service Company charges for the ten systems total  
23          \$4,624,940.

1     **Q.     How did AAWC derive its proposed Service Company charges?**

2     A.     Mr. Stephenson testifies that the proposed Service Company charges were derived by  
3           using AAWC's actual recorded costs incurred between April and July of 2002, a period  
4           outside of the test year. The Company states that its average monthly charge for the  
5           period between April and July 2002 was \$429,476. Its proposed annual Service Company  
6           charges of \$5,153,711 were derived by multiplying the average monthly Service Company  
7           charge of \$429,476 (for the period April through July of 2002) by 12 months. The  
8           Company claims that it excluded the months of January through March from its monthly  
9           average Service Company charge because they either were not full months, due to  
10          finalization of the acquisition (January), or they do not accurately reflect normal cost  
11          allocations from the Service Company (February and March).

12  
13    **Q.     Did the Company explain how it allocated Service Company charges to the ten**  
14           **systems?**

15    A.     Yes. The Company allocated its total proposed Service Company charges based on a  
16           four-factor method. The four-factor method consists of plant in service, general metered  
17           customers, salaries and wages and direct operating and maintenance expenses. AAWC  
18           claims that the four factors used in this allocation are representative and produce the  
19           benefits that each system would receive from its Service Company.

20  
21    **Q.     Did the Company provide any justification for its proposal to substitute estimated**  
22           **Service Company charges for Citizens' test year corporate cost allocations?**

23    A.     Yes. The Company claims that Citizens' test year corporate cost allocations must be  
24           removed and substituted with AAWC's projected Service Company charges because  
25           Citizens' costs are no longer representative of its overheads, on a going-forward basis.  
26           Mr. Stephenson contends in his testimony that, "These expenses must be removed and

1 replaced by current annualization of Service Company charges in order to provide an  
2 accurate presentation of known and measurable expenses that are occurring now and will  
3 occur on a going-forward basis in the future.”  
4

5 **Q. Are AAWC’s reasons for substituting its projected Service Company charges for**  
6 **Citizens’ actual test year corporate cost allocations consistent with sound rate-**  
7 **making principles?**

8 **A.** No. First, AAWC’s Service Company charges are extrapolations based on expenses  
9 incurred between April and July 2002, a period outside of the test year. The annual  
10 estimate is not an actual cost and the Company did not demonstrate that the expenses  
11 incurred in these four months are representative of AAWC’s average costs for the year.  
12 Second, these costs were not incurred in the test year, thus creating a mismatch between  
13 test year revenues, operating expenses and rate base.  
14

15 Third, AAWC’s proposal to substitute \$4,624,940 of its Service Company charges and  
16 \$3,136,118 of its projected overheads, for \$3,181,235 of Citizens’ Corporate cost  
17 allocations, increases total corporate cost allocations for the ten systems by \$4,579,823.  
18 Ratepayers should not be burdened with additional overhead simply due to change in  
19 ownership. AAWC has not demonstrated that its proposed increase in overheads provides  
20 any commensurate benefits to ratepayers. Ratepayers should be held harmless if AAWC  
21 overhead costs are greater than Citizens due to less efficient operation.

1    **Q.    What is Staff's recommendation regarding AAWC's pro forma adjustments to**  
2       **substitute its Service Company charges for Citizen's corporate cost allocations?**

3    **A.    As shown on Schedule AII-4, for each system, Staff recommends rejecting AAWC's pro**  
4       **forma adjustments to substitute AAWC's Service Company charges for Citizen's**  
5       **corporate cost allocations. Staff recommends using Citizens' actual test year figure.**

6  
7    **Q.    What is AAWC requesting in its filings regarding projected additional expenses?**

8    **A.    As shown on AAWC's Schedule C-2, adjustment 10, the Company proposes to include**  
9       **projected additional expenses in its revenue requirement. The projected expenses consist**  
10      **of general insurance, employee group insurance, 401(K) costs, employee incentives,**  
11      **customer notifications, training, bank service charges, etc. In aggregate for the ten**  
12      **systems, AAWC proposes to include in its revenue requirement \$3,136,118 of these**  
13      **projected expenses over the amount recorded in the test year.**

14  
15   **Q.    How did AAWC derive its proposed amount for projected expenses?**

16   **A.    AAWC derived the amount for projected expenses by extrapolating its monthly average**  
17      **costs incurred between April and July 2002 over a 12-month period. The method used to**  
18      **derive its projected additional expenses is similar to that utilized in determining its**  
19      **proposed Service Company charges.**

20  
21   **Q.    Has the Company demonstrated benefits to ratepayers commensurate with the**  
22      **amount of its projected expenses?**

23   **A.    No.**

1     **Q.     What is AAWC's justification for its projected additional expenses?**

2     A.     The Company claims that its projected expenses consist of new corporate overhead  
3           expenses that are necessary to operate the ten systems filed in this proceeding. AAWC  
4           contends that its projected additional expenses as well as its projected Service Company  
5           charges are more representative of the overheads necessary to operate the tens systems, on  
6           a going-forward basis.

7  
8     **Q.     Is the Company's justification for its request to increase overheads by \$3,136,118**  
9           **consistent with sound rate-making principles.**

10    A.     No. As previously explained above, AAWC's projected expenses were derived by  
11           extrapolating the average costs incurred between April and July 2002 to a 12-month  
12           period to provide an annualized amount. It is not known that these costs are representative  
13           of average costs over a 12-month period. These projected expenses were derived from  
14           costs incurred outside the test year, creating a mismatch. In addition, the Company has  
15           not demonstrated benefits commensurate with its \$3,136,118 projected incremental  
16           expenses.

17    **Q.     What is Staff recommending regarding the Company's projected additional**  
18           **expenses?**

19    A.     Staff recommends denying the Company's pro forma adjustments to include \$3,136,116  
20           of projected overhead expenses not incurred in the test year in its revenue requirement.  
21           As shown on Schedule AII-5, for each system, Staff removed AAWC's pro forma  
22           adjustment for projected additional expenses.

23  
24    **Q.     Please summarize Staff's recommendations regarding corporate cost allocations.**

25    A.     Staff recommends denying the Company's proposal to increase its total corporate costs  
26           allocations by \$4,579,823. Staff recommends rejecting AAWC's pro forma adjustments

1 to eliminate Citizens' test year recorded corporate overhead cost of \$3,181,325 and to  
2 replace it with \$4,624,940 of extrapolated Service Company charges and \$3,136,118 of  
3 extrapolated projected additional overhead costs, resulting in a \$4,579,823 net increase to  
4 corporate overhead expenses. For each of the ten systems, Staff's adjustments to remove  
5 AAWC's pro forma adjustments are shown on Schedules AII-3, AII-4 and AII-5 as  
6 adjustment numbers 1, 2 and 3, respectively.

7  
8 SALARIES, WAGES AND RELATED EXPENSES

9 Operating Income Adjustment Nos. 4 and 5

10 **Q. Please provide an overview of AAWC's two pro forma adjustments pertaining to**  
11 **salaries, wages, and related expenses for the ten systems in this filing?**

12 **A.** AAWC proposes to remove across the ten systems \$4,312,389 of test year salaries, wages  
13 and related expenses recorded by Citizens and replace it with \$3,312,791 of salaries,  
14 wages and related expenses AAWC projects to incur. The Company's proposal results in  
15 \$575,598 net decrease in salary, wages, and related expenses as shown on Table II.

TABLE II

**AAWC'S PRO FORMA**  
**ADJUSTMENTS**  
**FOR SALARIES, WAGES AND RELATED EXPENSES**

	<b><u>SYSTEM</u></b>	<b><u>CITIZENS<sup>(1)</sup></u></b>	<b><u>AAWC<sup>(2)</sup></u></b>	<b><u>TOTAL</u></b>
		<b><u>RECORDED</u></b>	<b><u>PROJECTED</u></b>	
1	SUN CITY WATER	(\$948,649)	\$796,513	(\$152,136)
2	SUN CITY WASTE WATER	(\$357,570)	\$96,303	(\$261,267)
3	SUN CITY WEST WATER	(\$396,788)	\$375,805	(\$20,983)
	SUNCITY WEST WASTE			
4	WATER	(\$740,226)	\$481,323	(\$258,903)
	ANTHEM/AGUA FRIA WATSE			
5	WATER	(\$152,759)	\$227,320	\$74,561
6	AGUA FRIA WATER	(\$459,186)	\$546,577	\$87,391
7	ANTHEM WATER	(\$450,680)	\$400,165	(\$50,515)
8	MOHAVE WATER	(\$652,224)	\$621,259	(\$30,965)
9	HAVASU WATER	(\$67,795)	\$127,053	\$59,258
10	TUBAC WATER	(\$86,512)	\$64,473	(\$22,039)
	<b><u>TOTAL</u></b>	<b><u>\$(4,312,389)</u></b>	<b><u>\$3,736,791</u></b>	<b><u>(\$575,598)</u></b>

(1) AAWC's pro forma adjustment  
No. 2

(2) AAWC's pro forma adjustment  
No. 4

**Q. How did AAWC derive its projected salaries, wages and related expenses?**

**A.** AAWC derived its projected salaries, wages, and related expenses by extrapolating its average monthly costs incurred between April and July 2002 to the 12-month period of January to December of 2002.

**Q. Are AAWC's projected salaries, wages, and related expenses known and measurable?**

**A.** No. AAWC's projected salaries, wages, and related expenses are not known and measurable because they are based on costs incurred between April and July 2002. These

1 projected expenses were derived from costs incurred outside the test year creating a  
2 mismatch. Further, the Company has not shown that the costs incurred for April through  
3 July 2002 are representative of the true costs over the 12-month period.

4  
5 **Q. Are the Company's proposed pro forma adjustments to salaries, wages and related**  
6 **expenses consistent with sound rate-making principles?**

7 **A.** No. The Arizona Administrative Code ("AAC") requires the use of a historic test year for  
8 establishing revenues, operating expenses and rate base in a rate proceeding, with  
9 allowance for pro forma adjustments to obtain a normal or more realistic relationship  
10 between revenues, expenses and rate base. A normal or more realistic adjustment includes  
11 one that is known and measurable. The Company's proposal is not based on known and  
12 measurable changes.

13  
14 In its response to Staff's data request AII 11-1, the Company stated that there have been  
15 no changes to employee salary structure since it acquired Citizens' water and wastewater  
16 assets in Arizona. The Company stated that all employees were hired by AAWC at the  
17 same wage rate that Citizens paid them, except for an increase of \$35,152 relating to  
18 higher pay rates for Messrs Jones, Kuta and Biesemeyer. Also, AAWC stated in its  
19 response to Staff data request AII 21-7, that it capitalizes 15 percent - 20 percent of  
20 Messrs Jones, Kuta and Biesemeyer's salaries, wages and related expenses and allocates  
21 the balance to the ten systems based on three-factors.

1    **Q.    Could the portion of \$35,152 increase to salaries, wages and related expenses that**  
2       **was not capitalized reasonably be considered a known and measurable pro forma**  
3       **adjustment?**

4    **A.    Yes. Assuming there is no change in the employees' duties and the compensation is**  
5       **reasonable, the portion of the \$35,152 increase to salaries, wages and related expenses that**  
6       **was not capitalized could reasonably be considered a known and measurable change to**  
7       **test year results. However, Staff did not make this adjustment since the amount is not**  
8       **significant when distributed over the ten systems.**

9  
10   **Q.    What is Staff recommending?**

11   **A.    Staff recommends rejecting AAWC's pro forma adjustments to substitute its projected**  
12       **salaries, wages, and related expenses for Citizens' recorded test year expenses, as shown**  
13       **on Schedules AII-6 and AII-7, adjustment nos. 4 and 5, for each of the ten systems.**

14  
15   Operating Income Adjustment No. 6 - Depreciation Expense

16   **Q.    What are the components of the Company's proposed depreciation expense?**

17   **A.    As shown on Schedule C-2, page 6, of each of the ten systems, the Company's proposed**  
18       **depreciation expense consists of test year depreciation expense plus pro forma adjustments**  
19       **to recognize depreciation on post test year plant additions, amortization of the acquisition**  
20       **adjustment related to the purchase of the ten systems from Citizens Communications, Inc.**  
21       **("Citizens"), the amortization of contributions in aid of construction ("CIAC") and the**  
22       **amortization of deferred regulatory assets.**

1     **Q.     How did AAWC calculate each component of its proposed depreciation expense for**  
2     **each of the ten systems?**

3     A.     AAWC calculated test year depreciation expense by multiplying the original cost of its  
4     depreciable test year plant in service by the depreciation rates approved in the prior rate  
5     proceeding. The Company calculated pro forma depreciation expense on post test year  
6     plant additions by multiplying the total value of its post test year plant additions by the  
7     composite depreciation rate on test year plant in service. Similarly, the Company  
8     calculated amortization of Citizens' acquisition adjustment and amortization of deferred  
9     regulatory assets based on the composite depreciation rate of test year plant in service.  
10    The amortization of CIAC was derived by multiplying the original cost by 10 percent,  
11    consistent with Decision No. 63584. The Company correctly deducted the amortization of  
12    CIAC from the sum of the other components to derive the depreciation expense included  
13    in its cost of service.

14  
15    **Q.     Did Staff recompute the Company's depreciation expense for each of the ten**  
16    **systems?**

17    A.     Yes. Staff recomputed depreciation expense based on Staff's recommended total plant in  
18    service and Commission approved depreciation rates. Staff used the same methodology as  
19    AAWC to calculate depreciation expense. Staff's calculation differs from the Company's  
20    due to the use of Staff's recommended plant in service, which is different than the  
21    Company's, and excludes any amount related to the amortization of Citizens' acquisition  
22    adjustment.

1     **Q.     Why did Staff remove all amounts related to the amortization of Citizens' acquisition**  
2     **adjustment from depreciation expense?**

3     A.     Excluding amortization of Citizens' acquisition adjustment from depreciation expense  
4     conforms to Staff's recommendation, as discussed in the testimony of Staff witness Mr.  
5     Darron Carlson, that the Company has not met the criteria established in Decision No.  
6     63584 for recovery of the acquisition adjustment.

7  
8     **Q.     What is Staff's recommendation regarding depreciation expense?**

9     A.     Staff recommends depreciation expense shown on Schedule AII-8, for each of the ten  
10    systems, consistent with Staff's recommended plant and Staff's recommendation to reject  
11    AAWC's proposal to recognize Citizens acquisition adjustment.

12  
13    Operating Income Adjustment No. 7 – Property Taxes

14    **Q.     What is the Company proposing regarding property taxes?**

15    A.     The Company is proposing property taxes derived by employing an adaptation of the  
16    Arizona Department of Revenue's ("ADOR") Centrally Valued Properties method. The  
17    Company's proposed property taxes are shown on AAWC's Schedule C-2, page 7 for  
18    each of the ten systems.

19  
20    **Q.     Does the ADOR's Centrally Valued Properties Method provide an acceptable basis**  
21    **for determining property taxes in Arizona?**

22    A.     Yes. Staff has developed and used an acceptable adaptation of this method for  
23    determining property tax expense. Staff agrees with the Company's description of the  
24    method.

1     **Q.     Please comment on the computation of property taxes using the ADOR method.**

2     A.     The ADOR method begins with the calculation of the average revenue for three historical  
3           years. The calculated average revenue is a major component used in the determination of  
4           property taxes in the ADOR methodology. For rate-making purposes, using only  
5           historical revenues to calculate property taxes to include in the cost of service fails to  
6           capture the effects of future revenue from new rates and it results in an  
7           understatement/(overstatement) of property tax expense for going-forward property taxes.

8  
9           Staff uses adjusted test year revenues twice and Staff's recommended revenues once to  
10          calculate the three-year average for use in the ADOR method. Staff's method provides a  
11          better estimate of property taxes. The Company's method is different from Staff's in that  
12          it uses actual and adjusted test year revenues combined with proposed revenues to  
13          calculate a three-year average revenue. Thus, to the extent actual and adjusted test year  
14          revenues are different, there is a difference in Staff's and the Company's property tax  
15          calculation. Similarly, the difference between Staff's recommended revenue and the  
16          Company's proposed revenue will result in a difference in the property tax calculation.

17  
18     **Q.     Please explain Staff's computation of test year property taxes.**

19     A.     Staff used the ADOR method in determining property taxes. Staff derived a three-year  
20          average for each system by multiplying Staff's adjusted test year revenues by two (2) and  
21          adding the result to Staff's recommended revenues and then dividing the total by three.  
22          The three-year average was multiplied by a factor of two to yield an income value  
23          indicator for each system. Then, Staff derived the cash assessed value by adding 10  
24          percent of CWIP and subtracting the net book value of licensed vehicles. Finally, Staff  
25          multiplied the cash assessed value by the assessment ratio and then by the composite

property tax rate for each system. Staff's property tax calculation are shown on Schedule AII-9 for each system

Operating Income Adjustment No. 8 - Income Taxes

**Q. What is the Company proposing for test year incomes taxes?**

A. Schedule C-1 of the Company's filings show test year incomes taxes for each of the ten systems.

**Q. Did the Company provide a schedule depicting its computation of income taxes?**

A. Yes. Schedule C-3, page 1, of the Company's filing shows the federal tax rate as 34 percent, state tax rate as 6.97 percent and an effective combined tax rate of 38.5989 percent.

**Q. Does Staff agree with the Company's calculated tax rate of 38.5989 percent as the applicable combined federal and state tax rate?**

A. Yes. As shown on Schedule DWC-2, line 17, Staff confirmed that the combined effective federal and state income tax rate is 38.5989 percent.

**Q. Did Staff prepare a schedule showing the computation of income taxes?**

A. Yes. Staff's computation of income taxes is shown on Schedule DWC-2 for each of the ten systems.

**Q. What is Staff recommending for test year income taxes?**

A. Staff is recommending test year income taxes shown on Schedules DWC-2 and AII-1, for each of the ten systems consistent with Staff's adjusted test year taxable income.

Operating Income Adjustment No. 9 - Purchased Water

**Q. What purchased water expense is AAWC proposing in its filings for Anthem Water Company ("Anthem") and Agua Fria Water Company ("Agua Fria")?**

**A.** AAWC proposes \$211,055 of purchased water expense for Anthem and \$382,700 for Agua Fria.

**Q. How did AAWC derive its proposed purchased water expenses for Anthem and Agua Fria?**

**A.** The Company derived its proposed purchased water expense for both systems by applying a 2002 cost per acre-foot to the quantity ordered for 2002. For example, the Company derived its proposed purchased water expense for Anthem, in the amount of \$211,055, by multiplying the quantity ordered for 2002, (3,247 acre-feet) by \$65, the projected cost per acre-foot for 2002. Similarly, the proposed purchased water expense for Agua Fria, in the amount of \$382,700 was derived by multiplying the quantity ordered for 2002 (4,300 acre-feet) by \$89, the projected net cost per acre-foot for 2002.

**Q. Does AAWC's calculation of purchased water expense for Anthem and Agua Fria provide a fair matching of revenues and expenses?**

**A.** No. The Company is proposing a purchased water expense based on the 2002 purchase quantity, causing a mismatch with the 2001 test year revenues. The Company purchased a greater quantity of water in 2002 than in the test year. The greater purchase quantity and cost for 2002 can only be properly matched with the corresponding greater volume of sales in 2002. In other words, the Company's proposal does not recognize the additional water purchases in sales revenue. Adjusting test year purchased water expense for current price is appropriate to reflect a known and measurable change in the unit cost. Adjusting purchased water expense for 2002 purchase volumes results in an overstatement of the

1 cost of service. The proper calculation applies the current cost per acre-foot to the test  
2 year purchased volume.

3  
4 **Q. Did Staff recalculate purchased water expense for Anthem and Agua Fria?**

5 A. Yes. Staff recalculated purchased water expense for both systems by applying the 2001  
6 test year quantity to the 2002 cost per acre-foot. Staff's recomputed purchased water  
7 expense reflects a known and measurable change in the unit cost of purchased water and  
8 removes the mismatch between the test year and 2002 volumes.

9  
10 **Q. What is Staff recommending?**

11 A. As shown on Schedule AII-11, Staff recommends purchased water expense for Anthem  
12 and Agua Fria based on test year quantities purchased adjusted for a known and  
13 measurable change in the cost per acre-foot.

14  
15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.  
17

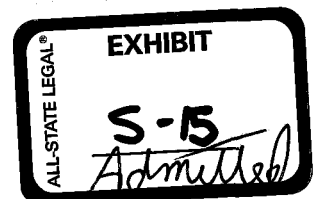
## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 16,407,510	\$ 12,063,516	\$ 12,063,516
2	Adjusted Operating Income/(Loss)	\$ 361,288	\$ 555,034	\$ 555,034
3	Current Rate of Return (L2 / L1)	2.20%	4.60%	4.60%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 1,271,582	\$ 793,779	\$ 793,779
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 910,294	\$ 238,746	\$ 238,746
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 1,482,505	<b>\$ 388,829</b>	<b>\$ 388,829</b>
9	Adjusted Test Year Revenue	\$ 3,380,774	\$ 3,380,774	\$ 3,380,774
10	Proposed Annual Revenue (L8 + L9)	\$ 4,863,279	\$ 3,769,603	\$ 3,769,603
11	Required Increase/Decrease in Revenue (%)	43.85%	11.50%	11.50%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 793,779			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 555,034			
20	Required Increase in Operating Income (L18 - L19)		\$ 238,746		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 285,141			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 135,058			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ 150,084		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 3,769,603			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ 388,829		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 3,380,774			
31	Operating Expenses Excluding Income Taxes	\$ 2,690,682			
32	Synchronized Interest (L43)	\$ 340,191			
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 349,901			
34	Arizona State Income Tax Rate	6.9680%			
35	Arizona Income Tax (L33 x L34)	\$ 24,381			\$ 51,475
36	Federal Taxable Income (L33 - L35)	\$ 325,520		\$ 687,255	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ 110,677			\$ 233,667
39	Combined Federal and State Income Tax (L35 + L38)	\$ 135,058			\$ 285,141
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 12,063,516			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 340,191			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 31,153,379	\$ 336,055	A	\$ 31,489,434
2	Less: Accumulated Depreciation	6,211,024	90,931	B	6,301,955
3	Net Plant in Service	<u>\$ 24,942,355</u>	<u>\$ 245,124</u>		<u>\$ 25,187,479</u>
	<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -		\$ -
5	Less: Accumulated Amortization	-	-		-
6	Net CIAC	<u>971,578</u>	-		<u>971,578</u>
7	Advances in Aid of Construction (AIAC)	12,151,160	-		12,151,160
8	Customer Deposits	-	-		-
9	Meter Advances	1,225	-		1,225
10	Deferred Income Tax Credits	-	-		-
	<u>ADD:</u>				
11	Cash Working Capital	-	-		-
12	Prepayments	-	-		-
13	Supplies Inventory	-	-		-
14	Projected Capital Expenditures	-	-		-
15	Deferred Debits	-	-		-
16	Citizens Acquisition Adjustment	8,164,652	(8,164,652)	C	-
17	Original Cost Rate Base	<u>\$ 19,983,044</u>	<u>\$ (7,919,528)</u>		<u>\$ 12,063,516</u>

Adjustments:

- A. Per plant adjustments on Schedule DWC-4
- B. Per accumulated depreciation adjustments on Schedule DWC-4
- C. Per acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

UMN OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
		<b>PLANT IN SERVICE:</b>		Leave Blank		Leave Blank	Leave Blank				
1		<u>Intangible</u>									
2	301.00	Organization	\$ 20,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,086
3	302.00	Franchises	1,588	-	-	-	-	-	-	-	1,588
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	21,674	-	-	-	-	-	-	-	21,674
6											
7		<u>Source of Supply</u>									
8	310.00	Land & Land Rights	11,651	-	-	-	-	-	-	-	11,651
9	311.00	Structures & Improvements	357,725	-	-	-	-	8,366	-	-	366,091
10	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	1,370,011	-	-	-	-	(62,960)	-	-	1,307,051
13		Subtotal Source of Supply	1,739,387	-	-	-	-	(54,594)	-	-	1,684,793
14											
15		<u>Pumping</u>									
16	320.00	Land & Land Rights	44,957	-	-	-	-	-	-	-	44,957
17	321.00	Structures & Improvements	231,439	-	-	-	-	-	-	-	231,439
18	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
19	325.00	Electric Pumping Equipment	5,030,298	-	(11,175)	-	-	(2,335)	-	-	5,016,788
20	326.00	Diesel Pumping Equipment	4,505	-	-	-	-	-	-	-	4,505
21	328.10	Gas Engine Pumping Equipment	1,764	-	-	-	-	-	-	-	1,764
22		Subtotal Pumping	5,312,963	-	(11,175)	-	-	(2,335)	-	-	5,299,453
23											
24		<u>Water Treatment</u>									
25	330.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
26	331.00	Structures & Improvements	38,357	-	-	-	-	-	-	-	38,357
27	332.00	Water Treatment Equipment	149,687	-	-	-	-	463	-	-	150,150
28		Subtotal Water Treatment	188,044	-	-	-	-	463	-	-	188,507
29											
30		<u>Transmission &amp; Distribution</u>									
31	340.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
32	341.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
33	342.00	Distribution Reservoirs & Standpipes	798,143	-	-	-	-	(28,209)	-	-	769,934
34	343.00	Transmission & Distribution	11,777,852	-	(6,343)	-	-	(20,621)	-	-	11,750,888
35	344.00	Fire Mains	169	-	-	-	-	-	-	-	169
36	345.00	Services	6,622,166	-	(1,767)	-	-	-	-	-	6,620,399
37	346.00	Meters	1,678,135	-	-	-	-	-	-	-	1,678,135
38	348.00	Hydrants	1,682,898	-	-	-	-	3,530	-	-	1,686,428
39	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
40		Subtotal Transmission & Distribu.	22,559,363	-	(8,110)	-	-	(45,300)	-	-	22,505,953
41											
42		<u>General</u>									
43	389.00	Land & Land Rights	817	-	-	-	-	-	-	-	817
44	390.00	Structures & Improvements	560,392	-	-	-	-	-	-	-	560,392
45	391.00	Office Furniture and Equipment	286,228	-	-	-	-	(17,194)	-	-	269,034
46	391.10	Computer Equipment	317,767	-	-	-	-	-	-	-	317,767
47	392.00	Transportation Equipment	318,346	-	-	-	-	39,911	-	-	358,257
48	393.00	Stores Equipment	4,807	-	-	-	-	-	-	-	4,807
49	394.00	Tools, Shop, & Garage Equipment	68,778	-	-	-	-	-	-	-	68,778
50	395.00	Laboratory Equipment	21,787	-	-	-	-	-	-	-	21,787
51	396.00	Power Operated Equipment	20,133	-	-	-	-	-	-	-	20,133
52	397.00	Communication Equipment	118,526	-	-	-	-	2,849	-	-	121,375
53	398.00	Miscellaneous Equipment	46,355	-	(458)	-	-	-	-	-	45,907
54		Subtotal General	1,763,946	-	(458)	-	-	25,566	-	-	1,789,054
55											
56	Add:										
57											
58	Less:										
59	Youngtown Plant*										
60	AFUDC Adjustment 3/95**		(431,998)	-	-	-	-	431,998	-	-	-
61	Total Plant in Service		\$ 31,153,379	\$ -	\$ (19,743)	\$ -	\$ -	\$ (76,200)	\$ 431,998	\$ -	\$ 31,489,434
62	Less: Accumulated Depreciation		6,211,024	-	1,750	-	-	92,681	-	-	6,301,955
63	Net Plant in Service (L59 - L 60)		\$ 24,942,355	\$ -	\$ (17,993)	\$ -	\$ -	\$ (76,200)	\$ 339,317	\$ -	\$ 25,187,479
64											
65	LESS:										
66	Contributions in Aid of Construction (CIAC)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization		-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)		971,578	-	-	-	-	-	-	-	971,578
69	Advances in Aid of Construction (AIAC)		12,151,160	-	-	-	-	-	-	-	12,151,160
70	Customer Deposits		-	-	-	-	-	-	-	-	-
71	Meter Advances		1,225	-	-	-	-	-	-	-	1,225
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
73											
74	ADD:										
75	Cash Working Capital Allowance		-	-	-	-	-	-	-	-	-
76	Prepayments		-	-	-	-	-	-	-	-	-
77	Supplies Inventory		-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
79	Deferred Debts		-	-	-	-	-	-	-	-	-
80	Citizens Acquisition Adjustment		8,164,652	-	-	-	-	-	-	(8,164,652)	-
81	Original Cost Rate Base		\$ 19,963,044	\$ -	\$ (17,993)	\$ -	\$ -	\$ (76,200)	\$ 339,317	\$ (8,164,652)	\$ 12,063,516

ADJ #		References:
1	Plant - not used & useful	Per Staff Engineering Reports
2	Plant - unidentified	Per Staff Engineering Reports
3	Plant - mis-posted	Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision	Per Decision No. 60172
5	Post-Test Year Plant	Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95	Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment	Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO. NO.		[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 3,343,134	\$ -	\$ 3,343,134	\$ 388,829	\$ 3,731,963
3	Su Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	37,640	-	37,640	-	37,640
5	Total Operating Revenues	\$ 3,380,774	\$ -	\$ 3,380,774	\$ 388,829	\$ 3,769,603
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 455,889	\$ (63,865)	\$ 392,024	\$ -	\$ 392,024
9	Purchased Water	-	-	-	-	-
10	Purchased Pumping Power	585,941	327	586,268	-	586,268
11	Chemicals	20,407	500	20,907	-	20,907
12	Repairs & Maintenance	170,058	(21)	170,037	-	170,037
13	Office Supplies & Expense	190,041	(156,942)	33,099	-	33,099
14	Outside Services	32,432	41,482	73,914	-	73,914
15	Service Company Charges	515,886	(515,886)	-	-	-
16	Water Testing	6,069	-	6,069	-	6,069
17	Rents	14,134	-	14,134	-	14,134
18	Transportation Expense	-	-	-	-	-
19	Insurance - General Liability	28,990	11,113	40,103	-	40,103
20	Insurance - Health and Life	-	-	-	-	-
21	Regulatory Comm. Exp. - Rate Case	22,313	-	22,313	-	22,313
22	Miscellaneous Operating Expense	148,620	277,480	426,100	-	426,100
23	Depreciation Expense	750,150	8,619	758,769	-	758,769
24	Taxes Other Than Income	28,072	(23,308)	4,764	-	4,764
25	Property Taxes	148,220	(6,039)	142,181	-	142,181
26	Income Tax	(97,736)	232,794	135,058	150,083	285,141
27						
28	Total Operating Expenses	\$ 3,019,486	\$ (193,746)	\$ 2,825,740	\$ 150,083	\$ 2,975,824
29	Operating Income (Loss)	\$ 361,288	\$ 193,746	\$ 555,034	\$ 238,746	\$ 793,779

References:

Column [A]: Company Schedule C-1

Column [B]: Schedule AII-2

Column [C]: Column [A] + Column [B]

Column [D]: Schedules DWC-1 and DWC-2

Column [E]: Column [C] + Column [D]

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	REVENUES:										
2	Metered Water Sales	\$ 3,343,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,343,134
3	Water Sales - Unmetered										
4	Other Operating Revenue	37,640	-	-	-	-	-	-	-	-	37,640.0
5	Total Operating Revenues	\$ 3,380,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,380,774
6	OPERATING EXPENSES:										
7	Salaries & Wages	\$ 455,889	\$ -	\$ -	\$ (108,156)	\$ 392,024	\$ (347,733)	\$ -	\$ -	\$ -	\$ 392,024
8	Purchased Water										
9	Purchased Pumping Power	585,941	327	-	-	-	-	-	-	-	586,268
10	Chemicals	20,407	500	-	-	-	-	-	-	-	20,907
11	Repairs & Maintenance	170,058	(21)	-	-	-	-	-	-	-	170,037
12	Office Supplies & Expense	190,041	5,921	-	(162,863)	-	-	-	-	-	33,099
13	Outside Services	32,432	41,482	-	-	-	-	-	-	-	73,914
14	Service Company Charges	515,886	-	(515,886)	-	-	-	-	-	-	6,069
15	Water Testing	6,069	-	-	-	-	-	-	-	-	14,134
16	Rents	14,134	-	-	-	-	-	-	-	-	40,103
17	Transportation Expense	28,990	39,463	-	(28,350)	-	-	-	-	-	22,313
18	Insurance - General Liability										
19	Insurance - Health and Life										
20	Regulatory Comm. Exp. - Rate Case	22,313	-	-	(1,099)	-	-	-	-	-	426,100
21	Miscellaneous Operating Expense	148,620	278,579	-	-	-	-	-	-	-	758,769
22	Depreciation Expense	750,150	-	-	-	-	(28,072)	8,619	-	-	4,764
23	Taxes Other Than Income	28,072	-	-	-	-	-	-	-	-	142,181
24	Property Taxes	148,220	-	-	-	-	-	-	(6,039)	-	135,058
25	Income Tax	(97,736)	-	-	-	-	-	-	-	232,794	
26											
27	Total Operating Expenses	\$ 3,019,486	\$ 366,251	\$ (515,886)	\$ (300,468)	\$ 396,788	\$ (375,805)	\$ 8,619	\$ (6,039)	\$ 232,794	\$ 2,825,740
28	Operating Income (Loss)	\$ 361,288	\$ (366,251)	\$ 515,886	\$ 300,468	\$ (396,788)	\$ 375,805	\$ (8,619)	\$ 6,039	\$ (232,794)	\$ 555,034

ADJ #	References:
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes

OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENTS
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (327)	1b	\$ 327
3	Chemicals	\$ (500)	1c	\$ 500
4	Subtotal (Line 4 + Line 5)	\$ 21	1d	\$ (21)
5	Office Supplies & Expense	\$ (5,921)	1e	\$ 5,921
6	Outside Services	\$ (41,482)	1f	\$ 41,482
7	Rents	\$ -	1g	\$ -
8	Insurance Expense - General Liability	\$ (39,463)	1h	\$ 39,463
9	Miscellaneous Expense	\$ (278,579)	1i	\$ 278,579
10	Total	<u>\$ (366,251)</u>		<u>\$ 366,251</u>

REFERENCES:

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 11  
Stephenson, Direct, pages 14, 15, and 16

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE	[A] COMPANY	[B] STAFF
<u>LINE DESCRIPTION</u>	<u>AS FILED</u>	<u>ADJUSTMENTS</u>
NO. Service Company Charges	\$ 515,886	\$ (515,886)
2 Total	<u>\$ 515,886</u>	<u>\$ (515,886)</u>

## REFERENCES:

Column [A]:

Subtotal (Line 4 + Line 5)

Company, Schedule C-2, page 1

Company, Schedule C-2, page 4

Bourassa, Direct, pages 11 and 12

Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WATER  
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Test Year Ended December 31, 2001

SCHEDULE AII-5

OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 108,156	3a	\$ (108,156)
2	Office Expense	\$ 162,863	3b	\$ (162,863)
3	Subtotal (Line 4 + Line 5)	\$ 28,350	3c	\$ (28,350)
4	Miscellaneous	\$ 1,099	3d	\$ (1,099)
5	Total	<u>\$ 300,468</u>		<u>\$ (300,468)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 18 and 19

Column [B]:

Testimony, All

OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED		ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT	
1	Salaries & Wages	\$	(392,024)	4a	\$	392,024
2	Payroll Taxes	\$	(4,764)	4b	\$	4,764
3	Total	\$	<u>(396,788)</u>		\$	<u>396,788</u>

REFERENCES:

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 12

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 347,733	5a	\$ (347,733)
2	Payroll Taxes	\$ 28,072	5b	\$ (28,072)
3	Total	<u>\$ 375,805</u>		<u>\$ (375,805)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 16 and 17

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangibles</u>			
2	Organization	\$ 20,086	0.00%	\$ -
3	Franchises	\$ 1,588	0.00%	\$ -
4	Miscellaneous Intangibles	\$ -	0.00%	\$ -
5	Subtotal (Line 4 + Line 5)	\$ 21,674		\$ -
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 11,651	0.00%	\$ -
9	Structures and Improvements	\$ 366,091	2.50%	\$ 9,152
10	Collecting and Impounding Res.	\$ -	0.00%	\$ -
11	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
12	Wells and Springs	\$ 1,307,051	2.52%	\$ 32,938
13	Subtotal Source of Supply	\$ 1,684,793		\$ 42,090
14				
15	<u>Pumping</u>			
16	Land and Land Rights	\$ 44,957	0.00%	\$ -
17	Structures and Improvements	\$ 231,439	1.67%	\$ 3,865
18	Other Power Production	\$ -	0.00%	\$ -
19	Electric Pumping Equipment	\$ 5,016,788	4.42%	\$ 221,742
20	Diesel Pumping Equipment	\$ 4,505	4.42%	\$ 199
21	Gas Engine Pumping Equipment	\$ 1,764	4.42%	\$ 78
22	Subtotal Pumping	\$ 5,299,453		\$ 225,884
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ -	0.00%	\$ -
26	Structures and Improvements	\$ 38,357	1.67%	\$ 641
27	Water Treatment Equipment	\$ 150,150	4.00%	\$ 6,006
28	Subtotal Water Treatment	\$ 188,507		\$ 6,647
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ -	0.00%	\$ -
32	Structures and Improvements	\$ -	0.00%	\$ -
33	Distribution, Reservoirs, & ST	\$ 769,934	1.67%	\$ 10,423
34	Transmission and Distribution	\$ 11,750,888	1.53%	\$ 179,742
35	Fire Mains	\$ 169	0.00%	\$ -
36	Services	\$ 6,620,399	2.48%	\$ 164,230
37	Meters	\$ 1,678,135	2.51%	\$ 42,121
38	Hydrants	\$ 1,686,428	2.00%	\$ 33,658
39	Other Transmission & Distribution	\$ -	0.00%	\$ -
40	Subtotal Transmission and Distribution	\$ 22,505,953		\$ 430,174
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 817	0.00%	\$ -
44	Structures and Improvements	\$ 560,392	1.68%	\$ 9,419
45	Office Furniture and Equipment	\$ 269,034	4.55%	\$ 12,228
46	Computer Equipment	\$ 317,767	4.55%	\$ 14,443
47	Transportation Equipment	\$ 358,257	25.00%	\$ 89,564
48	Stores Equipment	\$ 4,807	3.92%	\$ 188
49	Tools, Shop and Garage	\$ 68,778	4.14%	\$ 2,844
50	Laboratory Equipment	\$ 21,787	3.71%	\$ 808
51	Power Operated Equipment	\$ 20,133	5.14%	\$ 1,036
52	Communication Equipment	\$ 121,375	10.28%	\$ 12,474
53	Miscellaneous Equipment	\$ 45,907	4.98%	\$ 2,286
54	Subtotal General	\$ 1,789,054		\$ 145,291
55				
56	ADFUC adjustment 3/95	\$ -	2.68%	\$ -
57		\$ 31,489,434		\$ 850,086
58	Amortization of Deferred Regulatory Assets	\$ 217,667	2.68%	\$ 5,841
59	Less: Amotization of Contributions	\$ 971,578	10.00%	\$ 97,158
60	Staff recommended Depreciation Expense			\$ 758,769
61	Company Proposed Depreciation Expense			\$ 750,150
62	Staff Adjustment			\$ 8,619

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 3,380,774
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 6,761,548
4	Staff Recommended Revenue	\$ 3,769,603
5	Subtotal (Line 4 + Line 5)	\$ 10,531,151
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 3,510,384
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 7,020,767
10	Plus: 10% of CWIP - 2001	\$ -
11	Less: Net Book Value of Licensed Vehicles	\$ 300,746
12	Less: Net Book Value of Licensed Vehicles - Pro Forma	\$ 17,600
13	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 6,702,421
14	Assessment Ratio	25%
15	Assessment Value (Line 12 x Line 13)	\$ 1,675,605
16	Composite Property Tax Rate	8.4854%
17	Staff Recommended Property Tax Expense (Line 14 x Line 15)	\$ 142,181
18	Company Proposed Property Tax Expense	\$ 148,220
19	Staff Adjustment	\$ (6,039)

OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (97,736)	\$ 232,794	\$ 135,058
2	Total	\$ (97,736)	\$ 232,794	\$ 135,058

REFERENCES:

Column [A]:

Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]:

Testimony, All  
Schedule DWC-2

Column [C]:

Column [A] + Column [B]

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WATER  
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 Test Year Ended December 31, 2001

## MINIMUM MONTHLY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED
1	Residential 5/8"	\$ 5.00	-	\$ 7.23	-	\$ 5.60	-
2	Residential 3/4"	\$ 5.00	-	\$ 7.23	-	\$ 5.60	-
3	Residential 1"	\$ 13.00	-	\$ 18.80	-	\$ 14.55	-
4	Residential 1.5"	\$ 28.00	-	\$ 40.49	-	\$ 31.33	-
5	Residential 2"	\$ 41.00	-	\$ 59.29	-	\$ 45.86	-
6	Residential 3"	\$ 70.00	-	\$ 101.22	-	\$ 78.32	-
7	Residential 4"	\$ 103.00	-	\$ 148.94	-	\$ 115.24	-
8	Residential 6"	\$ 141.00	-	\$ 203.89	-	\$ 157.75	-
9	Commercial 5/8"	\$ 5.00	-	\$ 7.23	-	\$ 5.60	-
10	Commercial 3/4"	\$ 5.00	-	\$ 7.23	-	\$ 5.59	-
11	Commercial 1"	\$ 13.00	-	\$ 18.80	-	\$ 14.55	-
12	Commercial 1.5"	\$ 28.00	-	\$ 40.49	-	\$ 31.33	-
13	Commercial 2"	\$ 41.00	-	\$ 59.29	-	\$ 45.88	-
14	Commercial 3"	\$ 70.00	-	\$ 101.22	-	\$ 78.32	-
15	Commercial 4"	\$ 103.00	-	\$ 148.94	-	\$ 115.24	-
16	Commercial 6"	\$ 141.00	-	\$ 203.89	-	\$ 157.76	-
17	PF 4"	\$ 30.00	-	\$ 43.38	-	\$ 33.57	-
18	PF 6"	\$ 45.00	-	\$ 65.07	-	\$ 50.35	-
19	PF 8"	\$ 60.00	-	\$ 86.76	-	\$ 67.13	-
20	Construction	-	-	-	-	-	-
21	Effluent Sales, Per Acre Foot	-	-	-	-	-	-
22	Construction/Untreated CAP	-	-	-	-	-	-

LINE NO.	CUSTOMER CLASS	PRESENT RATES				COMPANY PROPOSED RATES				STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER ONE		TIER TWO		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
23	Residential 5/8"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
24	Residential 3/4"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
25	Residential 1"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
26	Residential 1.5"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
27	Residential 2"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
28	Residential 3"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
29	Residential 4"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
30	Residential 6"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
31	Commercial 5/8"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
32	Commercial 3/4"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
33	Commercial 1"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
34	Commercial 1.5"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
35	Commercial 2"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
36	Commercial 3"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
37	Commercial 4"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
38	Commercial 6"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
39	PF 4"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
40	PF 6"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
41	PF 8"	\$ 0.93	8,000	\$ 1.12	Infinite	\$ 1.34	8,000	\$ 0.84	4,000	\$ 1.24	100,000	\$ 1.52	Infinite		
42	Construction	\$ 0.60	Infinite	\$ 1.12	Infinite	Cancelled	8,000	\$ 0.84	Infinite	Infinite	Infinite	Infinite	Infinite		
43	Effluent Sales, Per Acre Foot	\$ 150.00	Per Acre Foot	\$ 216.90	Per Acre Foot	Cancelled	Per Acre Foot	Cancelled	Per Acre Foot	Cancelled	Per Acre Foot	Cancelled	Per Acre Foot		
44	Construction/Untreated CAP	\$ 0.50	Infinite	\$ 0.72	Infinite	\$ 0.72	Infinite	\$ 0.96	Infinite	\$ 0.96	Infinite	\$ 0.96	Infinite		

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	7,171	\$ 11.67	6,000	\$ 10.58
2	Residential 3/4"	27,333	\$ 34.09	19,000	\$ 24.76
3	Residential 1"	15,429	\$ 28.76	9,000	\$ 21.56
4	Residential 1.5"	59,042	\$ 92.61	47,000	\$ 79.12
5	Residential 2"	55,342	\$ 101.46	49,000	\$ 94.36
6	Residential 3"				
7	Residential 4"	8,617,167	\$ 9,752.71	8,562,000	\$ 9,690.92
8	Residential 6"				
9	Commerical 5/8"	5,736	\$ 10.33	-	\$ 5.00
10	Commerical 3/4"				
11	Commerical 1"	28,108	\$ 42.96	15,000	\$ 28.28
12	Commerical 1.5"	56,383	\$ 89.63	21,000	\$ 50.00
13	Commerical 2"	97,766	\$ 148.98	33,000	\$ 76.44
14	Commerical 3"	185,076	\$ 275.76	11,000	\$ 80.80
15	Commerical 4"	773,833	\$ 968.17	738,000	\$ 928.04
16	Commerical 6"	241,750	\$ 410.24	239,000	\$ 407.16
17	PF 4"	-	\$ 30.00	-	\$ 30.00
18	PF 6"	-	\$ 45.00	-	\$ 45.00
19	PF 8"	-	\$ 60.00	-	\$ 60.00
21	Construction				
22	Effluent Sales, Per Acre Foot				
23	Construction/Untreated CAP				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE		PERCENT	MEDIAN		PERCENT
			INCREASE			INCREASE	
24	Residential 5/8"	\$ 16.84	\$ 5.17	44.31%	\$ 15.27	\$ 4.69	44.33%
25	Residential 3/4"	\$ 49.27	\$ 15.18	44.52%	\$ 35.77	\$ 11.01	44.47%
26	Residential 1"	\$ 41.55	\$ 12.79	44.49%	\$ 31.14	\$ 9.58	44.43%
27	Residential 1.5"	\$ 133.90	\$ 41.29	44.59%	\$ 114.39	\$ 35.27	44.58%
28	Residential 2"	\$ 146.70	\$ 45.24	44.59%	\$ 136.43	\$ 42.07	44.58%
29	Residential 3"						
30	Residential 4"	\$ 14,106.51	\$ 4,353.80	44.64%	\$ 14,017.14	\$ 4,326.22	44.64%
31	Residential 6"						
32	Commerical 5/8"	\$ 14.92	\$ 4.58	44.33%	\$ 7.23	\$ 2.23	44.60%
33	Commerical 3/4"						
34	Commerical 1"	\$ 62.09	\$ 19.13	44.54%	\$ 40.86	\$ 12.58	44.48%
35	Commerical 1.5"	\$ 129.59	\$ 39.96	44.59%	\$ 72.27	\$ 22.27	44.54%
36	Commerical 2"	\$ 215.43	\$ 66.45	44.61%	\$ 110.51	\$ 34.07	44.57%
37	Commerical 3"	\$ 398.80	\$ 123.04	44.62%	\$ 116.80	\$ 36.00	44.55%
38	Commerical 4"	\$ 1,400.31	\$ 432.14	44.63%	\$ 1,342.26	\$ 414.22	44.63%
39	Commerical 6"	\$ 593.29	\$ 183.05	44.62%	\$ 588.83	\$ 181.67	44.62%
40	PF 4"	\$ 43.38	\$ 13.38	44.60%	\$ 43.38	\$ 13.38	44.60%
41	PF 6"	\$ 65.07	\$ 20.07	44.60%	\$ 65.07	\$ 20.07	44.60%
42	PF 8"	\$ 86.76	\$ 26.76	44.60%	\$ 86.76	\$ 26.76	44.60%
43	Construction						
44	Effluent Sales, Per Acre Foot						
45	Construction/Untreated CAP						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
46	Residential 5/8"	\$ 13.42	\$ 1.75	15.03%	\$ 12.05	\$ 1.47	13.94%
47	Residential 3/4"	\$ 36.02	\$ 1.93	5.66%	\$ 26.27	\$ 1.51	6.10%
48	Residential 1"	\$ 31.04	\$ 2.28	7.93%	\$ 23.52	\$ 1.96	9.09%
49	Residential 1.5"	\$ 98.85	\$ 6.24	6.74%	\$ 84.76	\$ 5.64	7.13%
50	Residential 2"	\$ 109.05	\$ 7.59	7.48%	\$ 101.63	\$ 7.27	7.71%
51	Residential 3"	NOT USED					
52	Residential 4"	\$ 12,067.20	\$ 2,314.49	23.73%	\$ 11,992.86	\$ 2,301.94	23.75%
53	Residential 6"	NOT USED					
54	Commerical 5/8"	\$ 10.75	\$ 0.42	4.08%	\$ 5.60	\$ 0.60	12.00%
55	Commerical 3/4"	NOT USED					
56	Commerical 1"	\$ 45.88	\$ 2.92	6.79%	\$ 30.54	\$ 2.26	7.99%
57	Commerical 1.5"	\$ 95.74	\$ 6.11	6.81%	\$ 54.34	\$ 4.34	8.68%
58	Commerical 2"	\$ 158.71	\$ 9.73	6.53%	\$ 80.59	\$ 4.15	5.43%
59	Commerical 3"	\$ 312.02	\$ 36.26	13.15%	\$ 89.63	\$ 8.83	10.93%
60	Commerical 4"	\$ 1,164.97	\$ 196.80	20.33%	\$ 1,117.50	\$ 189.46	20.42%
61	Commerical 6"	\$ 470.23	\$ 59.99	14.62%	\$ 466.41	\$ 59.25	14.55%
62	PF 4"	\$ 33.57	\$ 3.57	11.90%	\$ 33.56	\$ 3.56	11.88%
63	PF 6"	\$ 50.35	\$ 5.35	11.89%	\$ 50.35	\$ 5.35	11.88%
64	PF 8"	\$ 67.13	\$ 7.13	11.88%	\$ 67.13	\$ 7.13	11.88%
65	Construction	TO BE CANCELLED					
66	Effluent Sales, Per Acre Foot	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
67	Untreated CAP	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%

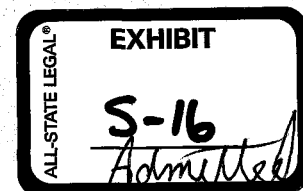
**REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 13,455,977	\$ 9,004,156	\$ 9,004,156
2	Adjusted Operating Income/(Loss)	\$ (164,397)	\$ (100,172)	\$ (100,172)
3	Current Rate of Return (L2 / L1)	-1.22%	-1.11%	-1.11%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 1,042,838	\$ 592,473	\$ 592,473
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 1,207,235	\$ 692,646	\$ 692,646
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 1,966,103	<b>\$ 1,128,067</b>	<b>\$ 1,128,067</b>
9	Adjusted Test Year Revenue	\$ 3,535,680	\$ 3,535,680	\$ 3,535,680
10	Proposed Annual Revenue (L8 + L9)	\$ 5,501,783	\$ 4,663,747	\$ 4,663,747
11	Required Increase/Decrease in Revenue (%)	55.61%	31.91%	31.91%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, & D-1

Columns [B] & [C]: Staff Schedules All-1, DWC-2, DWC-3, & JMR-9



**GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 592,473			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ (100,172)			
20	Required Increase in Operating Income (L18 - L19)		\$ 692,646		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 212,828			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ (222,593)			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ 435,421		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 4,663,747			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ 1,128,067		
<u>Calculation of Income Tax:</u>					
		Test Year		STAFF Recommended	
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 3,535,680		\$ 4,663,747	
31	Operating Expenses Excluding Income Taxes	\$ 3,858,445		\$ 3,858,445	
32	Synchronized Interest (L43)	\$ 253,917		\$ 253,917	
33	Arizona Taxable Income (L30 - L31 - L32)	\$ (576,682)		\$ 551,385	
34	Arizona State Income Tax Rate	6.9680%		6.9680%	
35	Arizona Income Tax (L33 x L34)	\$ (40,183)		\$ 38,420	
36	Federal Taxable Income (L33 - L35)	\$ (536,499)		\$ 512,964	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ (182,410)		\$ 174,408	
39	Combined Federal and State Income Tax (L35 + L38)	\$ (222,593)		\$ 212,828	
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 9,004,156			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 253,917			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 39,101,814	\$ 20,284 A	\$ 39,122,098
2	Less: Accumulated Depreciation	14,290,245	(134,479) B	14,155,766
3	Net Plant in Service	<u>\$ 24,811,569</u>	<u>\$ 154,763</u>	<u>\$ 24,966,332</u>
	<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	<u>1,458,672</u>	-	<u>1,458,672</u>
7	Advances in Aid of Construction (AIAC)	14,502,979	-	14,502,979
8	Customer Deposits	525	-	525
9	Meter Advances	-	-	-
10	Deferred Income Tax Credits	-	-	-
	<u>ADD:</u>			
11	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Tolleson Trickling Filter	-	-	-
16	Citizens Acquisition Adjustment	10,401,376	(10,401,376) C	-
17	Original Cost Rate Base	<u>\$ 19,250,769</u>	<u>\$ (10,246,613)</u>	<u>\$ 9,004,156</u>

Adjustments:

- A. Per plant adjustments on Schedule DWC-4
- B. Per accumulated depreciation adjustments on Schedule DWC-4
- C. Per acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

SUN ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>											
1		Intangible				Leave Blank	Leave Blank				
2	301.00	Organization	\$ 4,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,078
3	302.00	Franchises	1,372	-	-	-	-	-	-	-	1,372
4	303.00	Miscellaneous Intangibles	5,184	-	-	-	-	-	-	-	5,184
5		Subtotal Intangible	10,634	-	-	-	-	-	-	-	10,634
7		<b>Treatment and Discharge</b>									
8	310.00	Land & Land Rights	542,319	-	-	-	-	-	-	-	542,319
9	311.00	Structures & Improvements	2,739,560	-	-	-	-	(21,563)	-	-	2,717,997
10	312.00	Preliminary Treatment	1,068,943	-	-	-	-	-	-	-	1,068,943
11	313.00	Primary Treatment Equipment	1,090,472	-	-	-	-	(6,300)	-	-	1,084,172
12	314.00	Secondary Treatment Equipment	5,720,776	-	-	-	-	(6,300)	-	-	5,714,476
13	315.00	Tertiary Equipment	6,087,981	-	-	-	-	-	-	-	6,087,981
14	316.00	Disfection Equipment	245,070	(212,082)	-	-	-	-	-	-	32,988
15	317.00	Effluent Lift Station E	1,004,341	-	-	-	-	-	-	-	1,004,341
16	318.00	Outfall Line	94,680	-	-	-	-	18,461	-	-	113,141
17	319.00	Sludge, Treatment & Distribution	-	-	-	-	-	-	-	-	-
18	321.00	Influent Lift Station	91,546	-	-	-	-	-	-	-	91,546
20	322.00	General Treatment Equipment	902,060	-	(2,987)	-	-	-	-	-	899,073
13		Subtotal Treatment & Discharge	19,587,748	(212,082)	(2,987)	-	-	(15,702)	-	-	19,356,977
15		<b>Collection and Influent</b>									
16	340.00	Land & Land Rights	20,747	-	-	-	-	-	-	-	20,747
17	341.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
18	342.00	Collection System Lift	1,356,167	-	(380)	-	-	-	-	-	1,355,787
19	343.00	Collection Mains	12,982,219	-	-	-	-	(4,544)	-	-	12,977,675
20	344.00	Force Mains	752,939	-	-	-	-	-	-	-	752,939
21	345.00	Discharge Services	2,645,161	-	-	-	-	-	-	-	2,645,161
22	348.00	Manholes	-	-	-	-	-	-	-	-	-
21		Subtotal Collection and Influent	17,757,233	-	(380)	-	-	(4,544)	-	-	17,752,309
42		<b>General - Allocated Common Plant</b>									
43	389.00	Land & Land Rights	780	-	-	-	-	-	-	-	780
44	390.00	Structures & Improvements	948,864	-	-	-	-	(9,826)	-	-	939,038
45	391.00	Office Furniture and Equipment	193,582	-	-	-	-	-	-	-	193,582
46	391.10	Computer Equipment	273,086	-	-	-	-	-	-	-	273,086
47	392.00	Transportation Equipment	287,389	-	-	-	-	-	-	-	287,389
48	393.00	Stores Equipment	10,093	-	-	-	-	-	-	-	10,093
49	394.00	Tools, Shop, & Garage Equipment	71,223	-	-	-	-	(3,880)	-	-	67,343
50	395.00	Laboratory Equipment	20,619	-	-	-	-	(5,500)	-	-	15,319
51	396.00	Power Operated Equipment	46,439	-	-	-	-	-	-	-	46,439
52	397.00	Communication Equipment	92,335	-	-	-	-	32,468	-	-	124,803
53	398.00	Miscellaneous Equipment	44,306	-	-	-	-	-	-	-	44,306
54		Subtotal General	1,988,916	-	-	-	-	13,262	-	-	2,002,178
56	Add:		-	-	-	-	-	-	-	-	-
57			-	-	-	-	-	-	-	-	-
58	Less:		-	-	-	-	-	-	-	-	-
59	Youngtown Plant*		-	-	-	-	-	-	-	-	-
60	AFUDC Adjustment 3/95**		(242,717)	-	-	-	-	-	242,717	-	-
61	Total Plant in Service		\$ 39,101,814	\$ (212,082)	\$ (3,367)	\$ -	\$ -	\$ (6,984)	\$ 242,717	\$ -	\$ 39,122,098
62	Less: Accumulated Depreciation		14,290,245	208,448	-	-	-	-	73,969	-	14,155,766
63	Net Plant in Service (L59 - L 60)		\$ 24,811,569	\$ (3,634)	\$ (3,367)	\$ -	\$ -	\$ (6,984)	\$ 168,748	\$ -	\$ 24,966,332
65	<b>LESS:</b>										
66	Contributions in Aid of Construction (CIAC)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization		-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)		1,458,672	-	-	-	-	-	-	-	1,458,672
69	Advances in Aid of Construction (AIAC)		14,502,979	-	-	-	-	-	-	-	14,502,979
70	Customer Deposits		525	-	-	-	-	-	-	-	525
71	Meter Advances		-	-	-	-	-	-	-	-	-
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
74	<b>ADD:</b>										
75	Cash Working Capital Allowance		-	-	-	-	-	-	-	-	-
76	Prepayments		-	-	-	-	-	-	-	-	-
77	Supplies Inventory		-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
79	Deferred Debits		-	-	-	-	-	-	-	-	-
80	Toilesen Trickling Filter		-	-	-	-	-	-	-	-	-
81	Citizens Acquisition Adjustment		10,401,376	-	-	-	-	-	-	(10,401,376)	-
82	Original Cost Rate Base		\$ 19,250,769	\$ (3,634)	\$ (3,367)	\$ -	\$ -	\$ (6,984)	\$ 168,748	\$ (10,401,376)	\$ 9,004,156

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports
2	Plant - unidentified Per Staff Engineering Reports
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision Per Decision No. 60172
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

**OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED**

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Flat Rate Revenues	\$ 3,534,678	\$ -	\$ 3,534,678	\$ 1,128,067	\$ 4,662,745
3	Measured Revenues	-	-	-	-	-
4	Other Wastewater Revenues	1,002	-	1,002	-	1,002
5	Total Operating Revenues	\$ 3,535,680	\$ -	\$ 3,535,680	\$ 1,128,067	\$ 4,663,747
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 607,304	\$ 65,733	\$ 673,037	\$ -	\$ 673,037
9	Purchased Wastewater Treatment	-	-	-	-	-
10	Purchased Power	1,426	-	1,426	-	1,426
11	Fuel for Power Production	-	-	-	-	-
12	Chemicals	375,064	(19,388)	355,676	-	355,676
13	Materials & Supplies	392,206	2,882	395,088	-	395,088
14	Repairs & Maintenance	-	-	-	-	-
15	Office Supplies & Expense	136,282	(136,282)	-	-	-
16	Outside Services	(14,005)	11,712	(2,293)	-	(2,293)
17	Service Company Charges	552,478	(552,478)	-	-	-
18	Water Testing	-	-	-	-	-
19	Rents	91,410	-	91,410	-	91,410
20	Transportation Expense	-	-	-	-	-
21	Insurance - General Liability	24,187	44,325	68,512	-	68,512
22	Insurance -Health and Life	-	-	-	-	-
23	Regulatory Comm. Exp. - Rate Case	23,335	-	23,335	-	23,335
24	Miscellaneous Operating Expense	243,134	374,587	617,721	-	617,721
25	Depreciation Expense	1,432,265	(21,951)	1,410,314	-	1,410,314
26	Taxes Other Than Income	36,253	30,920	67,173	-	67,173
27	Property Taxes	168,501	(11,455)	157,046	-	157,046
28	Income Tax	(369,763)	147,170	(222,593)	435,421	212,828
29	Tolleson Wastewater User Fees	-	-	-	-	-
30						
31	Total Operating Expenses	\$ 3,700,077	\$ (64,225)	\$ 3,635,852	\$ 435,421	\$ 4,071,273
32	Operating Income (Loss)	\$ (164,397)	\$ 64,225	\$ (100,172)	\$ 692,646	\$ 592,474

References:

Column [A]: Company Schedule C-1

Column [B]: Schedule AII-2

Column [C]: Column [A] + Column [B]

Column [D]: Schedules DWC-1 and DWC-2

Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	REVENUES:										
2	Fiat Rate Revenues	\$ 3,534,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,534,678
3	Measured Revenues	-	-	-	-	-	-	-	-	-	-
4	Other Wastewater Revenues	1,002	-	-	-	-	-	-	-	-	1,002.0
5	Total Operating Revenues	\$ 3,535,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,535,680
6											
7	OPERATING EXPENSES:										
8	Salaries & Wages	\$ 607,304	\$ -	\$ -	\$ (162,234)	\$ 673,037	\$ (445,070)	\$ -	\$ -	\$ -	\$ 673,037
9	Purchased Wastewater Treatment	-	-	-	-	-	-	-	-	-	-
10	Purchased Power	1,426	-	-	-	-	-	-	-	-	1,426
11	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
12	Chemicals	375,064	-	-	(23,250)	-	-	-	-	-	-
13	Materials & Supplies	392,206	-	-	-	-	-	-	-	-	-
14	Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-
15	Office Supplies & Expense	136,282	-	-	(146,103)	-	-	-	-	-	-
16	Outside Services	(14,005)	-	-	-	-	-	-	-	-	-
17	Service Company Charges	552,478	-	(552,478)	-	-	-	-	-	-	-
18	Water Testing	-	-	-	-	-	-	-	-	-	-
19	Rents	91,410	-	-	-	-	-	-	-	-	91,410
20	Transportation Expense	-	-	-	-	-	-	-	-	-	-
21	Insurance - General Liability	24,187	-	-	-	-	-	-	-	-	-
22	Insurance -Health and Life	-	44,325	-	-	-	-	-	-	-	-
23	Regulatory Comm. Exp. - Rate Case	23,335	-	-	-	-	-	-	-	-	-
24	Miscellaneous Operating Expense	243,134	375,507	-	(920)	-	-	-	-	-	23,335
25	Depreciation Expense	1,432,265	-	-	-	-	-	-	-	-	617,721
26	Taxes Other Than Income	36,253	(17)	-	-	-	(36,253)	(21,951)	-	-	1,410,314
27	Property Taxes	168,501	-	-	-	-	-	-	(11,455)	-	67,173
28	Income Tax	(369,763)	-	-	-	-	-	-	-	147,170	157,046
29	Tolleson Wastewater User Fees	-	-	-	-	-	-	-	-	-	(222,593)
30											
31	Total Operating Expenses	\$ 3,700,077	\$ 448,093	\$ (552,478)	\$ (332,507)	\$ 740,226	\$ (481,323)	\$ (21,951)	\$ (11,455)	\$ 147,170	\$ 3,635,852
32	Operating Income (Loss)	\$ (164,397)	\$ (448,093)	\$ 552,478	\$ 332,507	\$ (740,226)	\$ 481,323	\$ 21,951	\$ 11,455	\$ (147,170)	\$ (100,172)

ADJ #	References:
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes
	Schedule All-3
	Schedule All-4
	Schedule All-5
	Schedule All-6
	Schedule All-7
	Schedule All-8
	Schedule All-9
	Schedule All-10

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ 17	1a	\$ (17)
2	Purchased Power	\$ -	1b	\$ -
3	Chemicals	\$ (3,862)	1c	\$ 3,862
4	Materials and Supplies	\$ (2,882)	1d	\$ 2,882
5	Office Supplies	\$ (9,821)	1e	\$ 9,821
6	Outside Services	\$ (11,712)	1f	\$ 11,712
7	Rents	\$ -	1g	\$ -
8	Insurance Expense	\$ (44,325)	1h	\$ 44,325
9	Miscellaneous Expense	\$ (375,507)	1i	\$ 375,507
10	Total Adjustments	<u>\$ (448,091)</u>		<u>\$ 448,109</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 11  
Stephenson, Direct, pages 14, 15, and 16

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WASTEWATER  
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Test Year Ended December 31, 2001

SCHEDULE AII-4

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 552,478	\$ (552,478)
2	Total Adjustments	<u>\$ 552,478</u>	<u>\$ (552,478)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 11 and 12  
Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 162,234	3a	\$ (162,234)
2	Office Expense	\$ 146,103	3b	\$ (146,103)
3	Chemicals	\$ 23,250	3c	\$ (23,250)
4	Miscellaneous	\$ 920	3d	\$ (920)
5	Total Adjustment	<u>\$ 332,507</u>		<u>\$ (332,507)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 18 and 19

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE NO.	<u>DESCRIPTION</u>	[A] COMPANY <u>AS FILED</u>	ADJUSTMENT <u>LABEL</u>	[B] STAFF <u>ADJUSTMENT</u>
1	Salaries & Wages	\$ (673,037)	4a	\$ 673,037
2	Payroll Taxes	\$ (67,189)	4b	\$ 67,189
3	Total Adjustments	<u>\$ (740,226)</u>		<u>\$ 740,226</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 12

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE		[A]		[B]
NO.	DESCRIPTION	COMPANY AS FILED	ADJUSTMENT LABEL	STAFF ADJUSTMENT
1	Salaries & Wages	\$ 445,070	5a	\$ (445,070)
2	Payroll Taxes	\$ 36,253	5b	\$ (36,253)
3	Total Adjustments	<u>\$ 481,323</u>		<u>\$ (481,323)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 16 and 17

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
	<u>Intangible</u>			
1	Organization	\$ 4,078	0.00%	\$ -
2	Franchises	\$ 1,372	0.00%	\$ -
3	Miscellaneous Intangibles	\$ 5,184	0.00%	\$ -
4	Subtotal Intangible	\$ 10,634		\$ -
5				
6	<u>Treatment &amp; Discharge</u>			
7	Land and Land Rights	\$ 542,319	0.00%	\$ -
8	Structures and Improvements	\$ 2,717,997	5.00%	\$ 135,900
9	Preliminary Treatment	\$ 1,068,943	5.00%	\$ 53,447
10	Primary Treatment Equipment	\$ 1,084,172	5.00%	\$ 54,209
11	Secondary Treatment Equipment	\$ 5,714,476	5.00%	\$ 285,724
12	Tertiary Equipment	\$ 6,087,981	5.00%	\$ 304,399
13	Disinfection Equipment	\$ 32,988	5.00%	\$ 1,649
14	Effluent Lift Station E	\$ 1,004,341	8.40%	\$ 84,365
15	Outfall Line	\$ 113,141	5.00%	\$ 5,657
16	Sludge, Treatment & Distribution	\$ -	5.00%	\$ -
17	Influent Lift Station	\$ 91,546	8.40%	\$ 7,690
18	General Treatment Equipment	\$ 899,073	5.00%	\$ 44,954
19	Subtotal Treatment & Discharge	\$ 19,356,977		\$ 977,993
20				
21	<u>Collection and Influent</u>			
22	Land and Land Rights	\$ 20,747	0.00%	\$ -
23	Structures and Improvements	\$ -	1.67%	\$ -
24	Collection System Lift	\$ 1,355,787	8.40%	\$ 113,886
25	Collection Mains	\$ 12,977,675	2.04%	\$ 264,745
26	Force Mains	\$ 752,939	2.07%	\$ 15,586
27	Discharge Services	\$ 2,645,161	2.04%	\$ 53,961
28	Manholes	\$ -	2.03%	\$ -
29	Subtotal Collection and Influent	\$ 17,752,309		\$ 448,178
30				
31	<u>General</u>			
32	Land and Land Rights	\$ 780	0.00%	\$ -
33	Structures and Improvements	\$ 939,038	1.68%	\$ 15,783
34	Office Furniture and Equipment	\$ 193,582	4.55%	\$ 8,799
35	Computer Equipment	\$ 273,086	4.55%	\$ 12,412
36	Transportation Equipment	\$ 287,389	25.00%	\$ 71,847
37	Stores Equipment	\$ 10,093	3.92%	\$ 396
38	Tools, Shop and Garage	\$ 67,343	4.14%	\$ 2,785
39	Laboratory Equipment	\$ 15,319	3.71%	\$ 568
40	Power Operated Equipment	\$ 46,439	5.14%	\$ 2,389
41	Communication Equipment	\$ 124,803	10.28%	\$ 12,827
42	Miscellaneous Equipment	\$ 44,306	4.98%	\$ 2,206
43	Subtotal General	\$ 2,002,178		\$ 130,012
44				
45	TOTALS	\$ 39,122,098		\$ 1,556,183
46	Amortization of Deferred Regulatory Assets	\$ -	3.84%	\$ -
47	Less: Amortization of Contribution	\$ 1,458,672	10.00%	\$ (145,867)
48	Staff Recommended Depreciation Expense	\$ 40,580,770	3.84%	\$ 1,410,314
49	Company Proposed Depreciation Expense			\$ 1,432,265
50	Staff Adjustment			\$ (21,951)

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 3,535,680
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 7,071,360
4	Staff Recommended Revenue	\$ 4,663,747
5	Subtotal (Line 4 + Line 5)	\$ 11,735,107
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 3,911,702
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 7,823,405
10	Plus: 10% of CWIP - 2001	-
11	Less: Net Book Value of Licensed Vehicles	\$ 287,389
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 7,536,016
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 1,884,004
15	Composite Property Tax Rate	8.33577%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 157,046
17	Company Proposed Property Tax Expense	\$ 168,501
18	Staff Adjustment (Line 16 - Line 17)	\$ (11,455)

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (369,763)	\$ 147,170	\$ (222,593)
2	Total	\$ (369,763)	\$ 147,170	\$ (222,593)

**REFERENCES:**

Column [A]:

Company, Schedule C-1, page 1

Company, Schedule C-2, page 1

Company, Schedule C-3, page 1

Column [B]:

Testimony, All

Schedule DWC-2

Column [C]:

Column [A] + Column [B]

**MINIMUM MONTHLY AND COMMODITY CHARGES**

LINE NO.	CUSTOMER CLASS	PRESENT			COMPANY PROPOSED		
		MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE
1	Residential Units (WSR)	\$ 16.24	-	-	\$ 25.27	-	-
2	Commerical (SSC)	\$ 23.09	-	-	\$ 35.93	-	-
3	Comm. Large User (SS6)	\$ 45.42	20,000	\$ 0.98	\$ 70.67	20,000	\$ 1.52
4	Multi-family Res. Units (AC SSR)	\$ 16.24	-	-	\$ 25.27	-	-
5	Comm. additional toilets (WS1)	\$ 5.30	-	-	\$ 8.25	-	-
6	Comm. per dishwasher (WS2)	\$ 42.58	-	-	\$ 66.25	-	-
7	Comm. per wash mach. (WS3)	\$ 9.93	-	-	\$ 15.45	-	-
8	Comm. per wash rack (WS4)	\$ 20.81	-	-	\$ 32.38	-	-
9	Industrial Discharge Annual Fee <50,000gal/mo	\$ 500.00	50,000	-	\$ 500.00	50,000	-
10	Industrial Discharge Annual Fee >50,000gal/mo	\$ 1,000.00	>50,000	-	\$ 1,000.00	>50,000	-

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED		
		MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE
11	Residential Units (WSR)	\$ 21.45	-	-
12	Commerical (SSC)	\$ 30.50	-	-
13	Comm. Large User (SS6)	\$ 59.99	20,000	\$ 1.29
14	Multi-family Res. Units (AC SSR)	\$ 21.45	-	-
15	Comm. additional toilets (WS1)	\$ 7.00	-	-
16	Comm. per dishwasher (WS2)	\$ 56.24	-	-
17	Comm. per wash mach. (WS3)	\$ 13.11	-	-
18	Comm. per wash rack (WS4)	\$ 27.48	-	-
19	Industrial Discharge Annual Fee <50,000gal/mo	\$ 500.00	50,000	-
20	Industrial Discharge Annual Fee >50,000gal/mo	\$ 1,000.00	>50,000	-

Note: Commerical Large User's are the only class with a commodity charge, which is assessed at a rate per 1,000 gallons over 20,000.

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential Units (WSR)	-	\$ 16.24	-	\$ 16.24
2	Commerical (SSC)	-	\$ 23.09	-	\$ 23.09
3	Comm. Large User (SS6)	187,702	\$ 209.77	8,000	\$ 45.42
4	Multi-family Res. Units (AC SSR)	-	\$ 16.24	-	\$ 16.24
5	Comm. additional toilets (WS1)	-	\$ 5.30	-	\$ 5.30
6	Comm. per dishwasher (WS2)	-	\$ 42.58	-	\$ 42.58
7	Comm. per wash mach. (WS3)	-	\$ 9.93	-	\$ 9.93
8	Comm. per wash rack (WS4)	-	\$ 20.81	-	\$ 20.81
9	Industrial Discharge Annual Fee <50,000gal/mo.				
10	Industrial Discharge Annual Fee >50,000gal/mo.				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
11	Residential Units (WSR)	\$ 25.27	\$ 9.03	55.60%	\$ 25.27	\$ 9.03	55.60%
12	Commerical (SSC)	\$ 35.93	\$ 12.84	55.61%	\$ 35.93	\$ 12.84	55.61%
13	Comm. Large User (SS6)	\$ 325.58	\$ 115.81	55.21%	\$ 70.67	\$ 25.25	55.59%
14	Multi-family Res. Units (AC SSR)	\$ 25.27	\$ 9.03	55.60%	\$ 25.27	\$ 9.03	55.60%
15	Comm. additional toilets (WS1)	\$ 8.25	\$ 2.95	55.66%	\$ 8.25	\$ 2.95	55.66%
16	Comm. per dishwasher (WS2)	\$ 66.25	\$ 23.67	55.59%	\$ 66.25	\$ 23.67	55.59%
17	Comm. per wash mach. (WS3)	\$ 15.45	\$ 5.52	55.59%	\$ 15.45	\$ 5.52	55.59%
18	Comm. per wash rack (WS4)	\$ 32.38	\$ 11.57	55.60%	\$ 32.38	\$ 11.57	55.60%
19	Industrial Discharge Annual Fee <50,000gal/mo.						
20	Industrial Discharge Annual Fee >50,000gal/mo.						

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
21	Residential Units (WSR)	\$ 21.45	\$ 5.21	32.08%	\$ 21.45	\$ 5.21	32.08%
22	Commerical (SSC)	\$ 30.50	\$ 7.41	32.09%	\$ 30.50	\$ 7.41	32.09%
23	Comm. Large User (SS6)	\$ 277.05	\$ 67.28	32.07%	\$ 59.99	\$ 14.57	32.08%
24	Multi-family Res. Units (AC SSR)	\$ 21.45	\$ 5.21	32.08%	\$ 21.45	\$ 5.21	32.08%
25	Comm. additional toilets (WS1)	\$ 7.00	\$ 1.70	32.08%	\$ 7.00	\$ 1.70	32.08%
26	Comm. per dishwasher (WS2)	\$ 56.24	\$ 13.66	32.08%	\$ 56.24	\$ 13.66	32.08%
27	Comm. per wash mach. (WS3)	\$ 13.11	\$ 3.18	32.02%	\$ 13.11	\$ 3.18	32.02%
28	Comm. per wash rack (WS4)	\$ 27.48	\$ 6.67	32.05%	\$ 27.48	\$ 6.67	32.05%
29	Industrial Discharge Annual Fee <50,000gal/mo.						
30	Industrial Discharge Annual Fee >50,000gal/mo.						

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Test Year Ended December 31, 2001

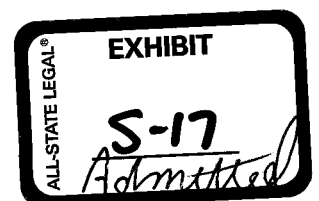
## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 48,703,463	\$ 21,433,625	\$ 21,433,625
2	Adjusted Operating Income/(Loss)	\$ 476,006	\$ 226,091	\$ 226,091
3	Current Rate of Return (L2 / L1)	0.98%	1.05%	1.05%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 3,774,518	\$ 1,410,333	\$ 1,410,333
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 3,298,512	\$ 1,184,241	\$ 1,184,241
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 5,371,957	<b>\$ 1,928,696</b>	<b>\$ 1,928,696</b>
9	Adjusted Test Year Revenue	\$ 6,193,090	\$ 6,193,090	\$ 6,193,090
10	Proposed Annual Revenue (L8 + L9)	\$ 11,565,047	\$ 8,121,786	\$ 8,121,786
11	Required Increase/Decrease in Revenue (%)	86.74%	31.14%	31.14%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

## References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 1,410,333			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 226,091			
20	Required Increase in Operating Income (L18 - L19)		\$ 1,184,241		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 506,619			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ (237,836)			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ 744,455		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 8,121,786			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ 1,928,696		
<u>Calculation of Income Tax:</u>					
		Test Year	STAFF Recommended		
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 6,193,090	\$ 8,121,786		
31	Operating Expenses Excluding Income Taxes	\$ 6,204,835	\$ 6,204,835		
32	Synchronized Interest (L43)	\$ 604,428	\$ 604,428		
33	Arizona Taxable Income (L30 - L31 - L32)	\$ (616,173)	\$ 1,312,523		
34	Arizona State Income Tax Rate	6.9680%	6.9680%		
35	Arizona Income Tax (L33 x L34)	\$ (42,935)	\$ 91,457		
36	Federal Taxable Income (L33 - L35)	\$ (573,238)	\$ 1,221,067		
37	Federal Income Tax Rate	34.0000%	34.0000%		
38	Federal Income Tax (L36 x L37)	\$ -194,901	\$ 415,163		
39	Combined Federal and State Income Tax (L35 + L38)	\$ (237,836)	\$ 506,619		
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 21,433,625			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 604,428			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 39,396,791	\$ (1,086,332)	A	\$ 38,310,459
2	Less: Accumulated Depreciation	13,717,002	(299,657)	B	13,417,345
3	Net Plant in Service	<u>\$ 25,679,789</u>	<u>\$ (786,675)</u>		<u>\$ 24,893,114</u>
	<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -		\$ -
5	Less: Accumulated Amortization	-	-		-
6	Net CIAC	1,127,078	-		1,127,078
7	Advances in Aid of Construction (AIAC)	2,331,186	-		2,331,186
8	Customer Deposits	-	-		-
9	Meter Advances	1,225	-		1,225
10	Deferred Income Tax Credits	-	-		-
	<u>ADD:</u>				
11	Cash Working Capital	-	-		-
12	Prepayments	-	-		-
13	Supplies Inventory	-	-		-
14	Projected Capital Expenditures	-	-		-
15	Deferred Debits	-	-		-
16	Citizens Acquisition Adjustment	9,746,553	(9,746,553)	C	-
17	Original Cost Rate Base	<u>\$ 31,966,853</u>	<u>\$ (10,533,228)</u>		<u>\$ 21,433,625</u>

Adjustments:

- A. Per plant adjustments on Schedule DWC-4
- B. Per accumulated depreciation adjustments on Schedule DWC-4
- C. Per acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

SUM. ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>			Leave Blank								
1		<u>Intangible</u>									
2	301.00	Organization	\$ 471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471
3	302.00	Franchises	2,851	-	-	-	-	-	-	-	2,851
4	303.00	Miscellaneous Intangibles	4,591	-	-	-	-	-	-	-	4,591
5		Subtotal Intangible	7,913	-	-	-	-	-	-	-	7,913
6											
7		<u>Source of Supply</u>									
8	310.00	Land & Land Rights	180,083	-	-	-	-	-	-	-	180,083
9	311.00	Structures & Improvements	682,896	-	-	-	-	192,348	-	-	875,244
10	312.00	Collecting & Impounding Reservoirs	314	-	-	-	-	-	-	-	314
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	2,533,035	(407,025)	-	-	(88,746)	(145,720)	-	-	1,891,544
13		Subtotal Source of Supply	3,396,328	(407,025)	-	-	(88,746)	46,628	-	-	2,947,185
14											
15		<u>Pumping</u>									
16	320.00	Land & Land Rights	8,456	-	-	-	-	-	-	-	8,456
17	321.00	Structures & Improvements	582,491	-	-	-	-	-	-	-	582,491
18	323.00	Other Power Production	9,554	-	-	-	-	-	-	-	9,554
19	325.00	Electric Pumping Equipment	6,943,367	(31,713)	-	(171,390)	-	(71,468)	-	-	6,668,796
20	326.00	Diesel Pumping Equipment	25,151	-	-	-	-	-	-	-	25,151
21	328.10	Gas Engine Pumping Equipment	249,781	-	-	-	-	-	-	-	249,781
22		Subtotal Pumping	7,818,800	(31,713)	-	(171,390)	-	(71,468)	-	-	7,544,229
23											
24		<u>Water Treatment</u>									
25	330.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
26	331.00	Structures & Improvements	80,580	-	-	-	-	-	-	-	80,580
27	332.00	Water Treatment Equipment	407,427	(19,594)	-	-	-	5,357	-	-	393,190
28		Subtotal Water Treatment	488,007	(19,594)	-	-	-	5,357	-	-	473,770
29											
30		<u>Transmission &amp; Distribution</u>									
31	340.00	Land & Land Rights	10,493	-	-	-	-	-	-	-	10,493
32	341.00	Structures & Improvements	28,604	-	-	-	-	-	-	-	28,604
33	342.00	Distribution Reservoirs & Standpipes	1,819,148	(319,215)	-	-	-	12,578	-	-	1,512,511
34	343.00	Transmission & Distribution	13,940,066	-	-	-	-	94,037	-	-	14,034,103
35	344.00	Fire Mains	-	-	-	-	-	-	-	-	-
36	345.00	Services	4,783,796	-	-	-	-	-	-	-	4,783,796
37	346.00	Meters	3,232,044	-	-	-	-	-	-	-	3,232,044
38	348.00	Hydrants	1,797,909	-	-	-	-	16,772	-	-	1,814,681
39	349.00	Other Transmission & Distribution	523	-	-	-	-	-	-	-	523
40		Subtotal Transmission & Distribu.	25,612,583	(319,215)	-	-	-	123,387	-	-	25,416,755
41											
42		<u>General</u>									
43	390.00	Land & Land Rights	1,163	-	-	-	-	-	-	-	1,163
44	390.00	Structures & Improvements	798,274	-	-	-	-	-	-	-	798,274
45	391.00	Office Furniture and Equipment	407,688	-	-	-	-	94,703	-	-	502,391
46	391.10	Computer Equipment	372,221	(592,003)	-	-	-	-	-	-	(219,782)
47	392.00	Transportation Equipment	605,009	-	-	-	-	(25,663)	-	-	579,346
48	393.00	Stores Equipment	6,847	-	-	-	-	-	-	-	6,847
49	394.00	Tools, Shop, & Garage Equipment	121,573	-	-	-	-	(23,600)	-	-	97,973
50	395.00	Laboratory Equipment	33,835	-	-	-	-	(2,800)	-	-	31,035
51	396.00	Power Operated Equipment	30,379	(669)	-	-	-	(1,700)	-	-	28,010
52	397.00	Communication Equipment	229,443	-	-	-	-	(51,644)	-	-	177,799
53	398.00	Miscellaneous Equipment	66,047	-	-	-	-	-	-	-	66,047
54		Subtotal General	2,672,479	(592,672)	-	-	-	(10,704)	-	-	2,069,103
55			39,996,110								
56	Add:										
57											
58	Less:										
59	Youngtown Plant*		(148,497)	-	-	-	-	-	-	-	(148,497)
60	AFUDC Adjustment 3/95**		(450,822)	-	-	-	-	450,822	-	-	-
61	Total Plant in Service		\$ 39,396,791	\$ (1,370,218)	\$ -	\$ (171,390)	\$ (88,746)	\$ 93,200	\$ 450,822	\$ -	\$ 38,310,459
62	Less: Accumulated Depreciation		13,717,002	336,050	-	41,665	33,764	-	111,822	-	13,417,345
63	Net Plant in Service (L59 - L 60)		\$ 25,679,789	\$ (1,034,168)	\$ -	\$ (129,725)	\$ (54,982)	\$ 93,200	\$ 339,000	\$ -	\$ 24,893,114
64											
65	<u>LESS:</u>										
66	Contributions in Aid of Construction (CIAC)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization		-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)		1,127,078	-	-	-	-	-	-	-	1,127,078
69	Advances in Aid of Construction (AIAC)		2,331,186	-	-	-	-	-	-	-	2,331,186
70	Customer Deposits		-	-	-	-	-	-	-	-	-
71	Meter Advances		1,225	-	-	-	-	-	-	-	1,225
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
73											
74	<u>ADD:</u>										
75	Cash Working Capital Allowance		-	-	-	-	-	-	-	-	-
76	Prepayments		-	-	-	-	-	-	-	-	-
77	Supplies Inventory		-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
79	Deferred Debits		-	-	-	-	-	-	-	-	-
80	Citizens Acquisition Adjustment		9,746,553	-	-	-	-	-	-	(9,746,553)	-
81	Original Cost Rate Base		\$ 31,966,853	\$ (1,034,168)	\$ -	\$ (129,725)	\$ (54,982)	\$ 93,200	\$ 339,000	\$ (9,746,553)	\$ 21,433,625

ADJ #	References:
1	Plant - not used & useful
2	Plant - unidentified
3	Plant - mis-posted
4	Plant - removed by previous decision
5	Post-Test Year Plant
6	Remove AFUDC Adj. 3/95
7	Remove Acquisition Adjustment

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 6,079,671	\$ -	\$ 6,079,671	\$ 1,928,696	\$ 8,008,367
3	Water Sales - Unmetered	-	\$ -	\$ -	-	-
4	Other Operating Revenue	113,419	\$ -	\$ 113,419	-	113,419
5	Total Operating Revenues	\$ 6,193,090	\$ -	\$ 6,193,090	\$ 1,928,696	\$ 8,121,786
6	<u>OPERATING EXPENSES:</u>					
7	Salaries & Wages	\$ 1,167,073	\$ 401,344	\$ 1,568,417	\$ -	\$ 1,568,417
8	Purchased Water	-	\$ -	\$ -	-	-
9	Purchased Pumping Power	1,416,410	\$ 761	\$ 1,417,171	-	1,417,171
10	Chemicals	17,413	\$ -	\$ 17,413	-	17,413
11	Repairs & Maintenance	540,349	\$ (37)	\$ 540,312	-	540,312
12	Office Supplies & Expense	483,141	\$ (313,622)	\$ 169,519	-	169,519
13	Outside Services	93,641	\$ 70,923	\$ 164,564	-	164,564
14	Service Company Charges	926,122	\$ (926,122)	\$ -	-	-
15	Water Testing	6,878	\$ -	\$ 6,878	-	6,878
16	Rents	28,369	\$ -	\$ 28,369	-	28,369
17	Transportation Expense	22	\$ -	\$ 22	-	22
18	Insurance - General Liability	87,848	\$ (9,411)	\$ 78,437	-	78,437
19	Insurance - Health and Life	-	\$ -	\$ -	-	-
20	Regulatory Comm. Exp. - Rate Case	40,874	\$ -	\$ 40,874	-	40,874
21	Miscellaneous Operating Expense	300,122	\$ 564,571	\$ 864,693	-	864,693
22	Depreciation Expense	1,025,028	\$ (70,180)	\$ 954,848	-	954,848
23	Taxes Other Than Income	62,065	\$ 52,615	\$ 114,680	-	114,680
24	Property Taxes	186,779	\$ 51,859	\$ 238,638	-	238,638
25	Income Tax	(665,050)	\$ 427,214	\$ (237,836)	744,455	506,619
26						
27	Total Operating Expenses	\$ 5,717,084	\$ 249,915	\$ 5,966,999	\$ 744,455	\$ 6,711,454
28	Operating Income (Loss)	\$ 476,006	\$ (249,915)	\$ 226,091	\$ 1,184,241	\$ 1,410,332

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule All-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) STAFF ADJUSTED
1	REVENUES:										
2	Metered Water Sales	\$ 6,079,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,079,671
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	113,419	-	-	-	-	-	-	-	-	113,419
5	Total Operating Revenues	\$ 6,193,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,193,090
6	OPERATING EXPENSES:										
7	Salaries & Wages	\$ 1,167,073	\$ -	\$ -	\$ (432,625)	\$ 833,969	\$ -	\$ -	\$ -	\$ -	\$ 1,568,417
8	Purchased Water	-	-	-	\$ -	-	-	-	-	-	-
9	Purchased Pumping Power	1,416,410	761	-	-	-	-	-	-	-	1,417,171
10	Chemicals	17,413	-	-	-	-	-	-	-	-	17,413
11	Repairs & Maintenance	540,349	(37)	-	-	-	-	-	-	-	540,312
12	Office Supplies & Expense	483,141	27,135	-	(340,757)	-	-	-	-	-	169,519
13	Outside Services	93,641	70,923	-	-	-	-	-	-	-	164,564
14	Service Company Charges	926,122	-	(926,122)	-	-	-	-	-	-	-
15	Water Testing	6,878	-	-	-	-	-	-	-	-	6,878
16	Rents	28,369	-	-	-	-	-	-	-	-	28,369
17	Transportation Expense	22	-	-	-	-	-	-	-	-	22
18	Insurance - General Liability	87,848	74,741	-	(84,152)	-	-	-	-	-	78,437
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	40,874	-	-	-	-	-	-	-	-	40,874
21	Miscellaneous Operating Expense	300,122	568,017	-	(3,446)	-	-	-	-	-	864,693
22	Depreciation Expense	1,025,028	-	-	-	-	-	(70,180)	-	-	954,848
23	Taxes Other Than Income	62,065	-	-	-	114,680	(62,065)	-	-	-	114,680
24	Property Taxes	186,779	-	-	-	-	-	-	51,859	-	238,638
25	Income Tax	(665,050)	-	-	-	-	-	-	-	427,214	(237,836)
26											
27	Total Operating Expenses	\$ 5,717,084	\$ 741,540	\$ (926,122)	\$ (860,980)	\$ 948,649	\$ (62,065)	\$ (70,180)	\$ 51,859	\$ 427,214	\$ 5,966,999
28	Operating Income (Loss)	\$ 476,006	\$ (741,540)	\$ 926,122	\$ 860,980	\$ (948,649)	\$ 62,065	\$ 70,180	\$ (51,859)	\$ (427,214)	\$ 228,091

ADJ #	References:
1	Schedule AII-3
2	Schedule AII-4
3	Schedule AII-5
4	Schedule AII-6
5	Schedule AII-7
6	Schedule AII-8
7	Schedule AII-9
8	Schedule AII-10

Citizens, Corporate Costs Allocation
Service Company Charges
Projected additional expenses
Test Year Salaries, Wages & Related Expenses
Projected Salaries, Wages & Related Expenses
Depreciation Expense
Property Taxes
Income Taxes

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A]		[B]	
		COMPANY AS FILED	ADJUSTMENT LABEL	STAFF ADJUSTMENT	
1	Taxes Other Than Income	\$ -	1a	\$ -	
2	Purchased Power	\$ (761)	1b	\$ 761	
3	Chemicals	\$ -	1c	\$ -	
4	Repairs and Maintenance	\$ 37	1d	\$ (37)	
5	Office Supplies & Expense	\$ (27,135)	1e	\$ 27,135	
6	Outside Services	\$ (70,923)	1f	\$ 70,923	
7	Rents	\$ -	1g	\$ -	
8	Insurance Expense - General Liability	\$ (74,741)	1h	\$ 74,741	
9	Miscellaneous Expense	\$ (568,017)	1i	\$ 568,017	
10	Total Adjustments	<u>\$ (741,540)</u>		<u>\$ 741,540</u>	

REFERENCES:

Column [A]:

Company Schedule C-2, page 1  
Company Schedule C-2, page 2  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 12, 15, 16, and 17

Columns [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

Schedule All-4

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO. DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1 Service Company Charges	\$ 926,122	\$ (926,122)
2 Total	<u>\$ 926,122</u>	<u>\$ (926,122)</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, page 16  
Stephenson, Direct, pages 16 and 17

Column [B]: Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

Schedule All-5

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A]		ADJUSTMENT LABEL	[B]	
		COMPANY AS FILED			STAFF ADJUSTMENT	
1	Salaries & Wages	\$ 432,625		3a	\$ (432,625)	
2	Office Expense	\$ 340,757		3b	\$ (340,757)	
3	Insurance	\$ 84,152		3c	\$ (84,152)	
4	Miscellaneous	\$ 3,446		3d	\$ (3,446)	
5	Total	<u>\$ 860,980</u>			<u>\$ (860,980)</u>	

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, page 19  
Stephenson, Direct, pages 18 and 19

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ (833,969)	4a	\$ 833,969
2	Payroll Taxes	\$ (114,680)	4b	\$ 114,680
3	Total	<u>\$ (948,649)</u>		<u>\$ 948,649</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 16

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages		5a	\$ -
2	Payroll Taxes	\$ 62,065	5b	\$ (62,065)
3	Total	<u>\$ 62,065</u>		<u>\$ (62,065)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, page 16  
Stephenson, Direct, pages 16 and 17

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ 471	0.00%	\$ -
3	Franchises	\$ 2,851	0.00%	\$ -
4	Miscellaneous Intangibles	\$ 4,591	0.00%	\$ -
5	Subtotal Intangible	\$ 7,913		\$ -
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 180,083	0.00%	\$ -
9	Structures and Improvements	\$ 875,244	2.50%	\$ 21,881
10	Collecting and Impounding Res.	\$ 314	2.50%	\$ 8
11	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
12	Wells and Springs	\$ 1,891,544	2.52%	\$ 47,667
13	Subtotal Source of Supply	\$ 2,947,185		\$ 69,556
14				
15	<u>Pumping</u>			
16	Land and Land Rights	\$ 8,456	0.00%	\$ -
17	Structures and Improvements	\$ 582,491	1.67%	\$ 9,728
18	Other Power Production	\$ 9,554	4.42%	\$ 422
19	Electric Pumping Equipment	\$ 6,668,796	4.42%	\$ 294,761
20	Diesel Pumping Equipment	\$ 25,151	5.00%	\$ 1,258
21	Gas Engine Pumping Equipment	\$ 249,781	5.01%	\$ 12,514
22	Subtotal Pumping	\$ 7,544,229		\$ 318,682
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ -	0.00%	\$ -
26	Structures and Improvements	\$ 80,580	1.67%	\$ 1,346
27	Water Treatment Equipment	\$ 393,190	4.00%	\$ 15,728
28	Subtotal Water Treatment	\$ 473,770		\$ 17,073
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ 10,493	0.00%	\$ -
32	Structures and Improvements	\$ 28,604	2.00%	\$ 572
33	Distribution, Reservoirs, & ST	\$ 1,512,511	1.67%	\$ 25,259
34	Transmission and Distribution	\$ 14,034,103	1.53%	\$ 214,722
35	Fire Mains	\$ -	0.00%	\$ -
36	Services	\$ 4,783,796	2.48%	\$ 118,638
37	Meters	\$ 3,232,044	2.51%	\$ 81,124
38	Hydrants	\$ 1,814,681	2.00%	\$ 36,294
39	Other Transmission & Distribution	\$ 523	2.00%	\$ 10
40	Subtotal Transmission and Distribution	\$ 25,416,755		\$ 476,619
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 1,163	0.00%	\$ -
44	Structures and Improvements	\$ 798,274	1.67%	\$ 13,331
45	Office Furniture and Equipment	\$ 502,391	4.59%	\$ 10,914
46	Computer Equipment	\$ (219,782)	4.59%	\$ 15,626
47	Transportation Equipment	\$ 579,346	25.00%	\$ 107,102
48	Stores Equipment	\$ 6,847	3.91%	\$ 268
49	Tools, Shop and Garage	\$ 97,973	4.02%	\$ 3,939
50	Laboratory Equipment	\$ 31,035	3.71%	\$ 1,151
51	Power Operated Equipment	\$ 28,010	5.20%	\$ 1,491
52	Communication Equipment	\$ 177,799	10.30%	\$ 14,177
53	Miscellaneous Equipment	\$ 66,047	4.93%	\$ 3,256
54	Subtotal General	\$ 2,069,103		\$ 171,257
55				
56				
57	Youngtown Plant	\$ (148,497)	2.83%	\$ (4,205)
58	AFUDC adjustment 3/95	\$ -	2.83%	\$ -
59	TOTALS	\$ 38,310,459		\$ 1,048,982
60	Amortization of Deferred Regulatory Assets	\$ 655,877	2.83%	\$ 18,573
61	Less: Amortization of Contributions	\$ 1,127,078	10.00%	\$ (112,708)
62	Staff Recommended Depreciation Expense			\$ 954,848
63	Company Proposed Depreciation Expense			\$ 1,025,028
64	Staff Adjustment			\$ (70,180)

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

<u>LINE</u>		
<u>NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1	Staff Adjusted Test Year Revenues - 2001	\$ 6,193,090
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 12,386,180
4	Staff Recommended Revenue	\$ 8,121,786
5	Subtotal (Line 4 + Line 5)	\$ 20,507,966
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	6,835,989
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	13,671,977
10	Plus: 10% of CWIP - 2001	-
11	Less: Net Book Value of Licensed Vehicles	\$ 247,444
12	Less: Net Book Value of Licensed Vehicles - Pro Forma	\$ 176,600
13	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 13,247,933
14	Assessment Ratio	25%
15	Assessment Value (Line 12 x Line 13)	3311983.333
16	Composite Property Tax Rate	7.205292%
17	Staff Recommended Property Tax Expense (Line 14 x Line 15)	\$ 238,638
18	Company Proposed Property Tax Expense	\$ 186,779
19	Staff Adjustment	\$ 51,859

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (665,050)	\$ 427,214	\$ (237,836)
2	Total	<u>\$ (665,050)</u>	<u>\$ 427,214</u>	<u>\$ (237,836)</u>

## REFERENCES:

Column [A]:

Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]:

Testimony, All  
Schedule DWC-2

Column [C]:

Column [A] + Column [B]

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT			COMPANY PROPOSED			STAFF RECOMMENDED			PRESENT RATES			TIER ONE			TIER TWO		
		MINIMUM CHARGE	GALLONS INCLUDED	UPPER LIMIT	MINIMUM CHARGE (b)	GALLONS INCLUDED	UPPER LIMIT	MINIMUM CHARGE	GALLONS INCLUDED	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	\$ 5.00	-	-	\$ 9.43	-	-	\$ 6.59	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
2	Residential 3/4"	\$ 5.00	-	-	\$ 9.43	-	-	\$ 6.59	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
3	Residential 1"	\$ 13.00	-	-	\$ 24.51	-	-	\$ 17.15	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
4	Residential 1.5"	\$ 28.00	-	-	\$ 52.78	-	-	\$ 36.83	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
5	Residential 2"	\$ 41.00	-	-	\$ 77.29	-	-	\$ 54.07	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
6	Residential 3"	\$ 70.00	-	-	\$ 131.95	-	-	\$ 92.32	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
7	Residential 4"	\$ 103.00	-	-	\$ 194.16	-	-	\$ 135.85	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
8	Residential 6"	\$ 141.00	-	-	\$ 265.79	-	-	\$ 185.97	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
9	Commercial 5/8"	\$ 5.00	-	-	\$ 9.43	-	-	\$ 6.59	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
10	Commercial 3/4"	\$ 5.00	-	-	\$ 9.43	-	-	\$ 6.59	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
11	Commercial 1"	\$ 13.00	-	-	\$ 24.51	-	-	\$ 17.15	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
12	Commercial 1.5"	\$ 28.00	-	-	\$ 52.78	-	-	\$ 36.83	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
13	Commercial 2"	\$ 41.00	-	-	\$ 77.29	-	-	\$ 54.07	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
14	Commercial 3"	\$ 70.00	-	-	\$ 131.95	-	-	\$ 92.32	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
15	Commercial 4"	\$ 103.00	-	-	\$ 194.16	-	-	\$ 135.85	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
16	Commercial 6"	\$ 141.00	-	-	\$ 265.79	-	-	\$ 185.97	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
17	Irrigation 1"	\$ 13.00	-	-	\$ 24.51	-	-	\$ 17.15	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
18	Irrigation 1.5"	\$ 28.00	-	-	\$ 52.78	-	-	\$ 36.83	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
19	Irrigation 2"	\$ 41.00	-	-	\$ 77.29	-	-	\$ 54.07	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
20	Irrigation 3"	\$ 70.00	-	-	\$ 131.95	-	-	\$ 92.32	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
21	Irrigation 4"	\$ 103.00	-	-	\$ 194.16	-	-	\$ 135.85	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
22	Irrigation 6"	\$ 141.00	-	-	\$ 265.79	-	-	\$ 185.97	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
23	Pub. Interrupt 3"	\$ 3.50	-	-	\$ 6.60	-	-	\$ 4.62	-	-	\$ 0.50	Infinite	\$ 0.50	Infinite	Infinite	\$ 0.50	Infinite	Infinite	Infinite
24	Pub. Interrupt 8"	\$ 3.50	-	-	\$ 6.60	-	-	\$ 4.62	-	-	\$ 0.50	Infinite	\$ 0.50	Infinite	Infinite	\$ 0.50	Infinite	Infinite	Infinite
25	PF 3"	\$ 6.00	-	-	\$ 11.31	-	-	\$ 7.91	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
26	PF 4"	\$ 9.00	-	-	\$ 16.97	-	-	\$ 11.87	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
27	PF 6"	\$ 12.50	-	-	\$ 23.66	-	-	\$ 16.49	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
28	PF 8"	\$ 20.00	-	-	\$ 37.70	-	-	\$ 28.38	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
29	PF 10"	\$ 30.00	-	-	\$ 56.55	-	-	\$ 39.57	-	-	\$ 0.73	8,000	\$ 0.92	Infinite	Infinite	\$ 0.92	Infinite	Infinite	Infinite
30	Standby	\$ 3.50	-	-	\$ 6.60	-	-	\$ 4.62	-	-	\$ 0.50	Infinite	\$ 0.50	Infinite	Infinite	\$ 0.50	Infinite	Infinite	Infinite
31	Construction/Unreated CAP	\$ 3.50	-	-	\$ 6.60	-	-	\$ 4.62	-	-	\$ 0.50	Infinite	\$ 0.50	Infinite	Infinite	\$ 0.50	Infinite	Infinite	Infinite

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES			STAFF RECOMMENDED RATES			TIER ONE			TIER TWO			TIER THREE		
		TIER ONE COMMODITY RATE	UPPER LIMIT (000s)	UPPER LIMIT	TIER ONE COMMODITY RATE	UPPER LIMIT	UPPER LIMIT	TIER ONE COMMODITY RATE	UPPER LIMIT	UPPER LIMIT	TIER TWO COMMODITY RATE	UPPER LIMIT	UPPER LIMIT	TIER THREE COMMODITY RATE	UPPER LIMIT	UPPER LIMIT
32	Residential 5/8"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
33	Residential 3/4"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
34	Residential 1"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
35	Residential 1.5"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
36	Residential 2"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
37	Residential 3"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
38	Residential 4"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
39	Residential 6"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
40	Commercial 5/8"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
41	Commercial 3/4"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
42	Commercial 1"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
43	Commercial 1.5"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
44	Commercial 2"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
45	Commercial 3"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
46	Commercial 4"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
47	Commercial 6"	\$ 1.38	8,000	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	4,000	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
48	Irrigation 1"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
49	Irrigation 1.5"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
50	Irrigation 2"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
51	Irrigation 3"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
52	Irrigation 4"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
53	Irrigation 6"	\$ 1.23	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.86	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
54	Pub. Interrupt 3"	\$ 0.94	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.66	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
55	Pub. Interrupt 8"	\$ 0.94	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.66	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
56	PF 3"	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
57	PF 4"	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
58	PF 6"	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
59	PF 8"	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
60	PF 10"	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.78	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
61	Standby	\$ 0.92	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.65	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite
62	Construction/Unreated CAP	\$ 0.94	Infinite	Infinite	\$ 1.73	Infinite	Infinite	\$ 0.65	Infinite	\$ 1.17	\$ 1.39	100,000	\$ 1.39	Infinite	Infinite	Infinite

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	8,361	\$ 11.17	7,000	\$ 10.11
2	Residential 3/4"	15,869	\$ 18.08	10,000	\$ 12.68
3	Residential 1"	38,788	\$ 47.17	24,000	\$ 33.56
4	Residential 1.5"	73,721	\$ 94.30	57,000	\$ 78.92
5	Residential 2"	91,864	\$ 123.99	64,000	\$ 98.36
6	Residential 3"	321,194	\$ 363.98	316,000	\$ 359.20
7	Residential 4"				
8	Residential 6"	137,292	\$ 265.79	21,000	\$ 158.80
9	Commerical 5/8"	7,054	\$ 10.15	1,000	\$ 5.73
10	Commerical 3/4"	9,488	\$ 12.21	2,000	\$ 6.46
11	Commerical 1"	22,247	\$ 31.95	10,000	\$ 20.68
12	Commerical 1.5"	46,341	\$ 69.11	18,000	\$ 43.04
13	Commerical 2"	120,339	\$ 150.19	71,000	\$ 104.80
14	Commerical 3"	204,111	\$ 256.26	130,500	\$ 188.54
15	Commerical 4"	1,190,450	\$ 1,196.69	1,132,000	\$ 1,142.92
16	Commerical 6"	2,486,155	\$ 2,426.74	1,674,000	\$ 1,679.56
17	Irrigation 1"	77	\$ 13.05	-	\$ 13.00
18	Irrigation 1.5"	64,318	\$ 69.81	54,000	\$ 63.10
19	Irrigation 2"	613,500	\$ 439.78	609,000	\$ 436.85
20	Irrigation 3"	27,462	\$ 87.85	-	\$ 70.00
21	Irrigation 4"				
22	Irrigation 6"	10,762,250	\$ 7,136.46	9,861,000	\$ 6,550.65
23	Pub. Interrupt 3"	491,154	\$ 245.58	-	\$ 3.50
24	Pub. Interrupt 8"	3,167	\$ 5.54	-	\$ 3.50
25	PF 2"	-	\$ 6.00	-	\$ 6.00
26	PF 4"	-	\$ 9.00	-	\$ 9.00
27	PF 6"	-	\$ 12.50	-	\$ 12.50
28	PF 8"	-	\$ 20.00	-	\$ 20.00
29	PF 10"				
30	Construction/Untreated CAP	-	\$ 3.50	-	\$ 3.50
31	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	\$ 15.63	\$ 4.45	39.86%	\$ 14.14	\$ 4.03	39.86%
33	Residential 3/4"	\$ 25.31	\$ 7.23	40.00%	\$ 17.74	\$ 5.06	39.91%
34	Residential 1"	\$ 66.08	\$ 18.91	40.10%	\$ 47.00	\$ 13.44	40.05%
35	Residential 1.5"	\$ 132.14	\$ 37.84	40.12%	\$ 110.57	\$ 31.65	40.10%
36	Residential 2"	\$ 173.74	\$ 49.75	40.12%	\$ 137.80	\$ 39.44	40.10%
37	Residential 3"	\$ 510.18	\$ 146.20	40.17%	\$ 503.48	\$ 144.28	40.17%
38	Residential 4"						
39	Residential 6"	\$ 372.35	\$ 106.56	40.09%	\$ 222.33	\$ 63.53	40.01%
40	Commerical 5/8"	\$ 14.20	\$ 4.05	39.86%	\$ 8.02	\$ 2.29	39.97%
41	Commerical 3/4"	\$ 17.08	\$ 4.87	39.89%	\$ 9.04	\$ 2.58	39.94%
42	Commerical 1"	\$ 44.74	\$ 12.79	40.04%	\$ 28.94	\$ 8.26	39.94%
43	Commerical 1.5"	\$ 96.82	\$ 27.71	40.09%	\$ 60.26	\$ 17.22	40.01%
44	Commerical 2"	\$ 210.48	\$ 60.29	40.14%	\$ 146.83	\$ 42.03	40.10%
45	Commerical 3"	\$ 359.14	\$ 102.88	40.15%	\$ 264.19	\$ 75.65	40.12%
46	Commerical 4"	\$ 1,677.72	\$ 481.03	40.20%	\$ 1,602.32	\$ 459.40	40.20%
47	Commerical 6"	\$ 3,402.38	\$ 975.64	40.20%	\$ 2,354.70	\$ 675.14	40.20%
48	Irrigation 1"	\$ 18.27	\$ 5.22	40.00%	\$ 18.20	\$ 5.20	40.00%
49	Irrigation 1.5"	\$ 97.73	\$ 27.92	40.00%	\$ 88.34	\$ 25.24	40.00%
50	Irrigation 2"	\$ 615.69	\$ 175.91	40.00%	\$ 611.59	\$ 174.74	40.00%
51	Irrigation 3"	\$ 122.99	\$ 35.14	40.00%	\$ 98.00	\$ 28.00	40.00%
52	Irrigation 4"						
53	Irrigation 6"	\$ 9,991.05	\$ 2,854.59	40.00%	\$ 9,170.91	\$ 2,620.26	40.00%
54	Pub. Interrupt 3"	\$ 343.81	\$ 98.23	40.00%	\$ -	\$ -	N/A
55	Pub. Interrupt 8"	\$ 2.22	\$ 0.63	40.00%	\$ -	\$ -	N/A
56	PF 2"	\$ 8.40	\$ 2.40	40.00%	\$ -	\$ -	N/A
57	PF 4"	\$ 12.60	\$ 3.60	40.00%	\$ -	\$ -	N/A
58	PF 6"	\$ 17.50	\$ 5.00	40.00%	\$ -	\$ -	N/A
59	PF 8"	\$ 28.00	\$ 8.00	40.00%	\$ -	\$ -	N/A
60	PF 10"						
61	Standby	\$ 4.90	\$ 1.40	40.00%	\$ -	\$ -	N/A
62	Construction/Untreated CAP						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	\$ 14.82	\$ 3.65	32.65%	\$ 13.22	\$ 3.11	30.81%
64	Residential 3/4"	\$ 23.60	\$ 5.52	30.54%	\$ 16.73	\$ 4.05	31.98%
65	Residential 1"	\$ 60.97	\$ 13.80	29.25%	\$ 43.67	\$ 10.11	30.11%
66	Residential 1.5"	\$ 121.62	\$ 27.32	28.97%	\$ 102.06	\$ 23.14	29.32%
67	Residential 2"	\$ 160.00	\$ 36.01	29.04%	\$ 127.39	\$ 29.03	29.52%
68	Residential 3"	\$ 515.22	\$ 151.24	41.55%	\$ 508.00	\$ 148.80	41.43%
69	Residential 4"	NOT USED					
70	Residential 6"	\$ 353.24	\$ 87.45	32.90%	\$ 208.98	\$ 50.18	31.60%
71	Commerical 5/8"	\$ 13.29	\$ 3.14	30.91%	\$ 7.37	\$ 1.64	28.70%
72	Commerical 3/4"	\$ 16.14	\$ 3.93	32.15%	\$ 8.15	\$ 1.69	26.23%
73	Commerical 1"	\$ 41.61	\$ 9.66	30.25%	\$ 27.29	\$ 6.61	31.94%
74	Commerical 1.5"	\$ 89.59	\$ 20.48	29.63%	\$ 56.43	\$ 13.39	31.11%
75	Commerical 2"	\$ 197.79	\$ 47.60	31.69%	\$ 135.58	\$ 30.78	29.37%
76	Commerical 3"	\$ 352.48	\$ 96.22	37.55%	\$ 250.16	\$ 61.62	32.68%
77	Commerical 4"	\$ 1,767.01	\$ 570.32	47.66%	\$ 1,685.77	\$ 542.85	47.50%
78	Commerical 6"	\$ 3,618.16	\$ 1,191.42	49.10%	\$ 2,489.27	\$ 809.71	48.21%
79	Irrigation 1"	\$ 17.21	\$ 4.16	31.89%	\$ 17.15	\$ 4.15	31.89%
80	Irrigation 1.5"	\$ 92.07	\$ 22.26	31.88%	\$ 83.22	\$ 20.12	31.89%
81	Irrigation 2"	\$ 580.02	\$ 140.24	31.89%	\$ 576.16	\$ 139.31	31.89%
82	Irrigation 3"	\$ 115.87	\$ 28.02	31.89%	\$ 92.32	\$ 22.32	31.89%
83	Irrigation 4"	NOT USED					
84	Irrigation 6"	\$ 9,412.29	\$ 2,275.83	31.89%	\$ 8,639.67	\$ 2,089.02	31.89%
85	Pub. Interrupt 3"	\$ 328.51	\$ 82.93	33.77%	\$ 4.62	\$ 1.12	31.89%
86	Pub. Interrupt 8"	\$ 6.70	\$ 1.16	20.97%	\$ 4.62	\$ 1.12	31.89%
87	PF 3"	\$ 7.91	\$ 1.91	31.89%	\$ 7.91	\$ 1.91	31.89%
88	PF 4"	\$ 11.87	\$ 2.87	31.89%	\$ 11.87	\$ 2.87	31.89%
89	PF 6"	\$ 16.49	\$ 3.99	31.89%	\$ 16.49	\$ 3.99	31.89%
90	PF 8"	\$ 26.38	\$ 6.38	31.89%	\$ 26.38	\$ 6.38	31.89%
91	PF 10"	NOT USED					
92	Standby	\$ 4.62	\$ 1.12	31.89%	\$ 4.62	\$ 1.12	32.00%
93	Construction/Untreated CAP	NOT USED					

## ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WASTEWATER

Docket No. WS-01303A-02-0867 et al.

Test Year Ended December 31, 2001

Schedule DWC-1

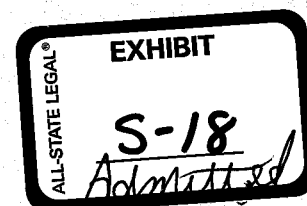
## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 20,233,575	\$ 8,838,548	\$ 8,838,548
2	Adjusted Operating Income/(Loss)	\$ 1,175,416	\$ 1,077,108	\$ 1,077,108
3	Current Rate of Return (L2 / L1)	5.81%	12.19%	12.19%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 1,568,102	\$ 581,576	\$ 581,576
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 392,686	\$ (495,532)	\$ (495,532)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 639,529	\$ (807,040)	\$ (807,040)
9	Adjusted Test Year Revenue	\$ 5,088,340	\$ 5,088,340	\$ 5,088,340
10	Proposed Annual Revenue (L8 + L9)	\$ 5,727,869	\$ 4,281,300	\$ 4,281,300
11	Required Increase/Decrease in Revenue (%)	12.57%	-15.86%	-15.86%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



**GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 581,576			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 1,077,108			
20	Required Increase in Operating Income (L18 - L19)		\$ (495,532)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 208,914			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 520,422			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (311,508)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 4,281,300			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (807,040)		
<u>Calculation of Income Tax:</u>					
		Test Year	STAFF Recommended		
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 5,088,340	\$ 4,281,300		
31	Operating Expenses Excluding Income Taxes	\$ 3,490,810	\$ 3,490,810		
32	Synchronized Interest (L43)	\$ 249,247	\$ 249,247		
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 1,348,283	\$ 541,243		
34	Arizona State Income Tax Rate	6.9680%	6.9680%		
35	Arizona Income Tax (L33 x L34)	\$ 93,948	\$ 37,714		
36	Federal Taxable Income (L33 - L35)	\$ 1,254,335	\$ 503,529		
37	Federal Income Tax Rate	34.0000%	34.0000%		
38	Federal Income Tax (L36 x L37)	\$ 426,474	\$ 171,200		
39	Combined Federal and State Income Tax (L35 + L38)	\$ 520,422	\$ 208,914		
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 8,838,548			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 249,247			

Docket No. WS-01303A-02-0867 et al.

Test Year Ended December 31, 2001

**RATE BASE - ORIGINAL COST**

LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 19,962,780	\$ 65,102 A	\$ 20,027,882
2	Less: Accumulated Depreciation	7,189,539	3,651 B	7,193,190
3	Net Plant in Service	<u>\$ 12,773,241</u>	<u>\$ 61,451</u>	<u>\$ 12,834,692</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	1,187,139	-	1,187,139
7	Advances in Aid of Construction (AIAC)	3,309,005	-	3,309,005
8	Customer Deposits	-	-	-
9	Meter Advances	-	-	-
10	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
11	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Tolleson Trickling Filter	500,000	-	500,000
16	Citizens Acquisition Adjustment	5,264,640	(5,264,640) C	-
17	Original Cost Rate Base	<u>\$ 14,041,737</u>	<u>\$ (5,203,189)</u>	<u>\$ 8,838,548</u>

Adjustments:

A. Per plant adjustments on Schedule DWC-4

B. Per accumulated depreciation adjustments on Schedule DWC-4

C. Per acquisition adjustment on Schedule DWC-4

References:

Column [A]: Company Schedule B-1

Column [B]: Staff Schedule DWC-4

Column [C]: Column [A] + Column [B]

SUM OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCOUNT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>				Leave Blank		Leave Blank	Leave Blank				
1		Intangible									
2	301.00	Organization	\$ 122,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,373
3	302.00	Franchises	6,132	-	-	-	-	-	-	-	6,132
4	303.00	Miscellaneous Intangibles	10,495	-	(868)	-	-	-	-	-	9,627
5		Subtotal Intangible	139,000	-	(868)	-	-	-	-	-	138,132
7		<b>Treatment and Discharge</b>									
8	310.00	Land & Land Rights	6,565	-	-	-	-	-	-	-	6,565
9	311.00	Structures & Improvements	42,195	-	-	-	-	11,337	-	-	53,532
10	312.00	Preliminary Treatment	453	-	-	-	-	-	-	-	453
11	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-	-	-
12	314.00	Secondary Treatment Equipment	2,575	-	-	-	-	-	-	-	2,575
13	315.00	Tertiary Equipment	-	-	-	-	-	-	-	-	-
14	316.00	Disfection Equipment	-	-	-	-	-	-	-	-	-
15	317.00	Effluent Lift Station E	1,503	-	-	-	-	-	-	-	1,503
16	318.00	Outfall Line	291	-	-	-	-	-	-	-	291
17	319.00	Sludge, Treatment & Distribution	-	-	-	-	-	-	-	-	-
18	321.00	Influent Lift Station	4,778	-	-	-	-	(4,310)	-	-	468
20	322.00	General Treatment Equipment	18,743	-	-	-	-	-	-	-	18,743
13		Subtotal Treatment & Discharge	77,103	-	-	-	-	7,027	-	-	84,130
15		<b>Collection and Influent</b>									
16	340.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
17	341.00	Structures & Improvements	350,713	-	-	-	-	-	-	-	350,713
18	342.00	Collection System Lift	1,229,723	-	-	-	-	-	-	-	1,229,723
19	343.00	Collection Mains	12,384,079	-	-	-	-	-	-	-	12,384,079
20	344.00	Force Mains	1,300,266	-	-	-	-	-	-	-	1,300,266
21	345.00	Discharge Services	2,307,454	-	-	-	-	-	-	-	2,307,454
22	348.00	Manholes	-	-	-	-	-	-	-	-	-
21		Subtotal Collection and Influent	17,572,235	-	-	-	-	-	-	-	17,572,235
42		<b>General</b>									
43	389.00	Land & Land Rights	1,108	-	-	-	-	-	-	-	1,108
44	390.00	Structures & Improvements	760,473	-	-	-	-	-	-	-	760,473
45	391.00	Office Furniture and Equipment	388,328	-	-	-	-	(23,238)	-	-	365,090
46	391.10	Computer Equipment	425,624	-	-	-	-	-	-	-	425,624
47	392.00	Transportation Equipment	408,123	-	-	-	-	-	-	-	408,123
48	393.00	Stores Equipment	6,523	-	-	-	-	-	-	-	6,523
49	394.00	Tools, Shop, & Garage Equipment	93,334	-	-	-	-	-	-	-	93,334
50	395.00	Laboratory Equipment	29,565	-	-	-	-	-	-	-	29,565
51	396.00	Power Operated Equipment	27,321	-	-	-	-	-	-	-	27,321
52	397.00	Communication Equipment	160,926	-	-	-	-	3,785	-	-	164,711
53	398.00	Miscellaneous Equipment	62,919	-	(14,679)	-	-	-	-	-	48,240
54		Subtotal General	2,364,244	-	(14,679)	-	-	(19,453)	-	-	2,330,112
56	Add:										
57											
58	Less:										
59	Youngtown Plant*	(96,727)									(96,727)
60	AFUDC Adjustment 3/95**	(93,075)							93,075		
61	Total Plant in Service	\$ 19,962,780	\$ -	\$ (15,547)	\$ -	\$ -	\$ (12,426)	\$ 93,075	\$ -	\$ -	\$ 20,027,882
62	Less: Accumulated Depreciation	7,189,539	-	14,679	-	-	-	18,330	-	-	7,193,190
63	Net Plant in Service (L59 - L 60)	\$ 12,773,241	\$ -	\$ (868)	\$ -	\$ -	\$ (12,426)	\$ 74,745	\$ -	\$ -	\$ 12,834,692
65	<b>LESS:</b>										
66	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization	-	-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)	1,187,139	-	-	-	-	-	-	-	-	1,187,139
69	Advances in Aid of Construction (AIAC)	3,309,005	-	-	-	-	-	-	-	-	3,309,005
70	Customer Deposits	-	-	-	-	-	-	-	-	-	-
71	Meter Advances	-	-	-	-	-	-	-	-	-	-
72	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-
74	<b>ADD:</b>										
75	Cash Working Capital Allowance	-	-	-	-	-	-	-	-	-	-
76	Prepayments	-	-	-	-	-	-	-	-	-	-
77	Supplies Inventory	-	-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures	-	-	-	-	-	-	-	-	-	-
79	Deferred Debits	-	-	-	-	-	-	-	-	-	-
80	Tolleson Trickling Filter	500,000	-	-	-	-	-	-	-	-	500,000
81	Citizens Acquisition Adjustment	5,264,640	-	-	-	-	-	-	(5,264,640)	-	-
82	Original Cost Rate Base	\$ 14,041,737	\$ -	\$ (868)	\$ -	\$ -	\$ (12,426)	\$ 74,745	\$ (5,264,640)	\$ -	\$ 8,836,548

ADJ #		References:
1	Plant - not used & useful	Per Staff Engineering Reports
2	Plant - unidentified	Per Staff Engineering Reports
3	Plant - mis-posted	Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision	Per Decision No. 60172
5	Post-Test Year Plant	Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95	Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment	Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Flat Rate Revenues	\$ 5,085,481	\$ -	\$ 5,085,481	\$ (807,040)	\$ 4,278,441
3	Measured Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other Wastewater Revenues	\$ 2,859	\$ -	\$ 2,859	\$ -	\$ 2,859
5	Total Operating Revenues	\$ 5,088,340	\$ -	\$ 5,088,340	\$ (807,040)	\$ 4,281,300
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 160,653	\$ 172,045	\$ 332,698	\$ -	\$ 332,698
9	Purchased Wastewater Treatment	992,447	\$ -	\$ 992,447	\$ -	\$ 992,447
10	Purchased Power	1,509	\$ 123	\$ 1,632	\$ -	\$ 1,632
11	Fuel for Power Production	-	\$ -	\$ -	\$ -	\$ -
12	Chemicals	-	\$ -	\$ -	\$ -	\$ -
13	Materials and Supplies	-	\$ 2,885	\$ 2,885	\$ -	\$ 2,885
14	Repairs & Maintenance	-	\$ -	\$ -	\$ -	\$ -
15	Office Supplies & Expense	204,642	\$ (204,642)	\$ -	\$ -	\$ -
16	Outside Services	3,123	\$ 28,996	\$ 32,119	\$ -	\$ 32,119
17	Service Company Charges	522,586	\$ (522,586)	\$ -	\$ -	\$ -
18	Water Testing	-	\$ -	\$ -	\$ -	\$ -
19	Rents	21,265	\$ -	\$ 21,265	\$ -	\$ 21,265
20	Transportation Expense	-	\$ -	\$ -	\$ -	\$ -
21	Insurance - General Liability	36,400	\$ 14,457	\$ 50,857	\$ -	\$ 50,857
22	Insurance -Health and Life	-	\$ -	\$ -	\$ -	\$ -
23	Regulatory Comm. Exp. - Rate Case	33,583	\$ -	\$ 33,583	\$ -	\$ 33,583
24	Miscellaneous Operating Expense	145,130	\$ 347,318	\$ 492,448	\$ -	\$ 492,448
25	Depreciation Expense	514,852	\$ (2,737)	\$ 512,115	\$ -	\$ 512,115
26	Taxes Other Than Income	7,754	\$ 17,118	\$ 24,872	\$ -	\$ 24,872
27	Property Taxes	193,701	\$ (17,903)	\$ 175,798	\$ -	\$ 175,798
28	Income Tax	257,188	\$ 263,234	\$ 520,422	\$ (311,508)	\$ 208,914
29	Tolleson Wastewater User Fees	818,091	\$ -	\$ 818,091	\$ -	\$ 818,091
30						
31	Total Operating Expenses	\$ 3,912,924	\$ 98,308	\$ 4,011,232	\$ (311,508)	\$ 3,699,724
32	Operating Income (Loss)	\$ 1,175,416	\$ (98,308)	\$ 1,077,108	\$ (495,532)	\$ 581,576

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule All-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	<u>REVENUES:</u>										
2	Flat Rate Revenues	\$ 5,085,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,085,481
3	Measured Revenues	-	-	-	-	-	-	-	-	-	-
4	Other Wastewater Revenues	2,859	-	-	-	-	-	-	-	-	2,859
5	Total Operating Revenues	\$ 5,088,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,088,340
6											
7	<u>OPERATING EXPENSES:</u>										
8	Salaries & Wages	\$ 160,653	\$ -	\$ -	\$ (72,104)	\$ 332,698	\$ (88,549)	\$ -	\$ -	\$ -	\$ 332,698
9	Purchased Wastewater Treatment	992,447	-	-	-	-	-	-	-	-	992,447
10	Purchased Power	1,509	123	-	-	-	-	-	-	-	1,632
11	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
12	Chemicals	-	-	-	-	-	-	-	-	-	-
13	Materials and Supplies	-	2,885	-	-	-	-	-	-	-	2,885
14	Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-
15	Office Supplies & Expense	204,642	7,599	-	(212,241)	-	-	-	-	-	-
16	Outside Services	3,123	28,996	-	-	-	-	-	-	-	32,119
17	Service Company Charges	522,586	-	(522,586)	-	-	-	-	-	-	-
18	Water Testing	-	-	-	-	-	-	-	-	-	-
19	Rents	21,265	-	-	-	-	-	-	-	-	21,265
20	Transportation Expense	-	-	-	-	-	-	-	-	-	-
21	Insurance - General Liability	36,400	49,418	-	(34,961)	-	-	-	-	-	50,857
22	Insurance -Health and Life	-	-	-	-	-	-	-	-	-	-
23	Regulatory Comm. Exp. - Rate Case	33,583	-	-	-	-	-	-	-	-	33,583
24	Miscellaneous Operating Expense	145,130	-	-	(1,249)	-	-	-	-	-	492,448
25	Depreciation Expense	514,852	348,567	-	-	-	-	(2,737)	-	-	512,115
26	Taxes Other Than Income	7,754	-	-	-	-	-	-	-	-	24,872
27	Property Taxes	193,701	-	-	-	-	(7,754)	-	\$ (17,903)	-	175,798
28	Income Tax	257,188	-	-	-	-	-	-	-	263,234	520,422
29	Tolleson Wastewater User Fees	818,091	-	-	-	-	-	-	-	-	818,091
30											
31	Total Operating Expenses	\$ 3,912,924	\$ 437,588	\$ (522,586)	\$ (320,555)	\$ 357,570	\$ (96,303)	\$ (2,737)	\$ (17,903)	\$ 263,234	\$ 4,011,232
32	Operating Income (Loss)	\$ 1,175,416	\$ (437,588)	\$ 522,586	\$ 320,555	\$ (357,570)	\$ 96,303	\$ 2,737	\$ 17,903	\$ (263,234)	\$ 1,077,108

ADJ #	References:
1	Citizens' Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes
	Schedule All-3
	Schedule All-4
	Schedule All-5
	Schedule All-6
	Schedule All-7
	Schedule All-8
	Schedule All-9
	Schedule All-10

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (123)	1b	\$ 123
3	Chemicals (Tolleson Trickling Filter Expensed in 2001)	\$ (500,000)	1c	\$ -
4	Materials and Supplies	\$ (2,885)	1d	\$ 2,885
5	Office Supplies	\$ (7,599)	1e	\$ 7,599
6	Outside Services	\$ (28,996)	1f	\$ 28,996
7	Rents	\$ -	1g	\$ -
8	Insurance Expense	\$ (49,418)	1h	\$ 49,418
9	Miscellaneous Expense	\$ (348,567)	1i	\$ 348,567
10	Total Adjustment	<u>\$ (937,588)</u>		<u>\$ 437,588</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 12, 15, 16, and 17

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 522,586	\$ (522,586)
2	Total Adjustment	<u>\$ 522,586</u>	<u>\$ (522,586)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, page 16  
Stephenson, Direct, pages 16 and 17

Column [B]:

Testimony, All

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 72,104	3a	\$ (72,104)
2	Office Expense	\$ 212,241	3b	\$ (212,241)
3	Insurance	\$ 34,961	3c	\$ (34,961)
4	Miscellaneous	\$ 1,249	3d	\$ (1,249)
5	Total Adjustment	<u>\$ 320,555</u>		<u>\$ (320,555)</u>

**REFERENCES:**

Column [A]:      Company, Schedule C-2, page 1  
                      Company, Schedule C-2, page 10  
                      Bourassa, Direct, page 19  
                      Stephenson, Direct, pages 18 and 19

Column [B]:      Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WASTEWATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

Schedule All-6

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ (332,698.00)	4a	332,698
2	Payroll Taxes	\$ (24,872.00)	4b	24,872
3	Total Adjustment	<u>\$ (357,570)</u>		<u>\$ 357,570</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 16

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 88,549	5a	\$ (88,549)
2	Payroll Taxes	\$ 7,754	5b	\$ (7,754)
3	Total Adjustment	<u>\$ 96,303</u>		<u>\$ (96,303)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, page 16  
Stephenson, Direct, pages 16 and 17

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ 122,373	0.00%	\$ -
3	Franchises	\$ 6,132	0.00%	\$ -
4	Miscellaneous Intangibles	\$ 9,627	0.00%	\$ -
5	Subtotal Intangible	\$ 138,132		\$ -
6				
7	<u>Treatment &amp; Discharge</u>			
8	Land and Land Rights	\$ 6,565	0.00%	\$ -
9	Structures and Improvements	\$ 53,532	2.50%	\$ 1,338
10	Preliminary Treatment	\$ 453	0.00%	\$ -
11	Primary Treatment Equipment	\$ -	0.00%	\$ -
12	Secondary Treatment Equipment	\$ 2,575	2.52%	\$ 65
13	Tertiary Equipment	\$ -	0.00%	\$ -
14	Disinfection Equipment	\$ -	0.00%	\$ -
15	Effluent Lift Station E	\$ 1,503	2.00%	\$ 30
16	Outfall Line	\$ 291	2.00%	\$ 6
17	Sludge, Treatment & Distribution	\$ -	2.50%	\$ -
18	Influent Lift Station	\$ 468	2.00%	\$ 9
19	General Treatment Equipment	\$ 18,743	2.00%	\$ 375
20	Subtotal Treatment & Discharge	\$ 84,130		\$ 1,824
21				
22	<u>Collection and Influent</u>			
23	Land and Land Rights	\$ -	0.00%	\$ -
24	Structures and Improvements	\$ 350,713	2.00%	\$ 7,014
25	Collection System Lift	\$ 1,229,723	8.40%	\$ 103,297
26	Collection Mains	\$ 12,384,079	2.04%	\$ 252,635
27	Force Mains	\$ 1,300,266	2.07%	\$ 26,916
28	Discharge Services	\$ 2,307,454	2.04%	\$ 47,072
29	Manholes	\$ -	2.03%	\$ -
30	Subtotal Collection and Influent	\$ 17,572,235		\$ 436,934
31				
32	<u>General</u>			
33	Land and Land Rights	\$ 1,108	0.00%	\$ -
34	Structures and Improvements	\$ 760,473	1.68%	\$ 12,782
35	Office Furniture and Equipment	\$ 365,090	4.55%	\$ 16,593
36	Computer Equipment	\$ 425,624	4.55%	\$ 19,346
37	Transportation Equipment	\$ 408,123	25.00%	\$ 102,031
38	Stores Equipment	\$ 6,523	3.92%	\$ 256
39	Tools, Shop and Garage	\$ 93,334	4.14%	\$ 3,860
40	Laboratory Equipment	\$ 29,565	3.71%	\$ 1,097
41	Power Operated Equipment	\$ 27,321	5.14%	\$ 1,405
42	Communication Equipment	\$ 164,711	10.28%	\$ 16,927
43	Miscellaneous Equipment	\$ 48,240	4.98%	\$ 2,402
44	Subtotal General	\$ 2,330,112		\$ 176,699
45				
46	Youngtown Plant *	(96,727)	2.80%	\$ (2,709)
47	ADFUC adjustment 3/95 **	-	2.80%	\$ -
48	TOTALS	\$ 20,027,882		\$ 612,747
49	Tollison Trickling Filter	\$ 500,000	2.80%	\$ 14,000
50	Amortization of Citizens Acquisition Adjustment (C-2, Page 6a)			
51	Amortization of Deferred Regulatory Assets	\$ 145,771	2.80%	\$ 4,082
52	Less: Amortization of Contributions	\$ 1,187,139	10.00%	\$ (118,714)
53				
54	Staff Recommended Depreciation Expense			\$ 512,115
55	Company Proposed Depreciation Expense			\$ 514,852
56	Staff Adjustment			\$ (2,737)

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Test Year Ended December 31, 2001

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE

<u>NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1	Staff Adjusted Test Year Revenues - 2001	\$ 5,088,340
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 10,176,680
4	Staff Recommended Revenue	\$ 4,281,300
5	Subtotal (Line 4 + Line 5)	\$ 14,457,980
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 4,819,327
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 9,638,653
10	Plus: 10% of CWIP - 2001	\$ -
11	Less: Net Book Value of Licensed Vehicles	\$ 408,123
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 9,230,530
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 2,307,633
15	Composite Property Tax Rate	7.618094%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 175,798
17	Company Proposed Property Tax Expense	\$ 193,701
18	Staff Adjustment	\$ (17,903)

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE		[A]	[B]	[C]
NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENT	STAFF PROPOSED
1	Income Taxes	\$ 257,188	\$ 263,234	\$ 520,422
2	Total	\$ 257,188	\$ 263,234	\$ 520,422

## REFERENCES:

Column [A]:

Company, Schedule C-1, page 1

Company, Schedule C-2, page 1

Company, Schedule C-3, page 1

Column [B]:

Testimony, All

Schedule DWC-2

Column [C]:

Column [A] + Column [B]

**MINIMUM MONTHLY AND COMMODITY CHARGES**

LINE NO.	CUSTOMER CLASS	PRESENT			COMPANY PROPOSED		
		MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE	MINIMUM CHARGE (b)	GALLONS INCLUDED	COMMODITY CHARGE
1	Residential Units (SSR)	\$ 12.87	-	-	\$ 14.48	-	-
2	Comm/Resid Units (SSR)	\$ 12.87	-	-	\$ 14.48	-	-
3	Commerical	\$ 15.46	-	-	\$ 17.39	-	-
4	Comm. Large User (SS6)	\$ 32.80	20,000	\$ 1.24	\$ 36.00	20,000	\$ 1.24
5	Multi-family Res. Units (AC SSR)	\$ 12.87	-	-	\$ 14.48	-	-
6	Comm. additional toilets (SS1)	\$ 3.78	-	-	\$ 4.25	-	-
7	Comm. per dishwasher (SS2)	\$ 29.10	-	-	\$ 32.74	-	-
8	Comm. per wash mach. (SS3)	\$ 7.06	-	-	\$ 7.94	-	-
9	Comm. per wash rack (SS4)	\$ 14.40	-	-	\$ 16.20	-	-
10	Intentionally left blank	\$ -	-	-	\$ -	-	-

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED		
		MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE
11	Residential Units (SSR)	\$ 10.82	-	-
12	Comm/Resid Units (SSR)	\$ 10.82	-	-
13	Commerical	\$ 12.99	-	-
14	Comm. Large User (SS6)	\$ 27.56	20,000	\$ 1.04
15	Multi-family Res. Units (AC SSR)	\$ 10.82	-	-
16	Comm. additional toilets (SS1)	\$ 3.18	-	-
17	Comm. per dishwasher (SS2)	\$ 24.45	-	-
18	Comm. per wash mach. (SS3)	\$ 5.93	-	-
19	Comm. per wash rack (SS4)	\$ 12.10	-	-
20	Intentionally left blank	\$ -	-	-

Note: Commerical Large User's are the only class with a commodity charge, which is assessed at a rate per 1,000 gallons over 20,000.

**TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE COST COMPARISONS**

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential Units (SSR)	N/A	\$ 12.87	N/A	\$ 12.87
2	Comm/Resid Units (SSR)	N/A	\$ 12.87	N/A	\$ 12.87
3	Commerical	N/A	\$ 15.46	N/A	\$ 15.46
4	Comm. Large User (SS6)	1,080,156	\$ 1,347.39	1,080,156	\$ 1,347.39
5	Multi-family Res. Units (AC SSR)	N/A	\$ 12.87	N/A	\$ 12.87
6	Comm. additional toilets (SS1)	N/A	\$ 3.78	N/A	\$ 3.78
7	Comm. per dishwasher (SS2)	N/A	\$ 29.10	N/A	\$ 29.10
8	Comm. per wash mach. (SS3)	N/A	\$ 7.06	N/A	\$ 7.06
9	Comm. per wash rack (SS4)	N/A	\$ 14.40	N/A	\$ 14.40
10	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE		PERCENT		MEDIAN	
			INCREASE				INCREASE
11	Residential Units (SSR)	\$ 14.48	\$ 1.61	12.51%	\$ 14.48	\$ 1.61	12.51%
12	Comm/Resid Units (SSR)	\$ 14.48	\$ 1.61	12.51%	\$ 14.48	\$ 1.61	12.51%
13	Commerical	\$ 17.39	\$ 1.93	12.48%	\$ 17.39	\$ 1.93	12.48%
14	Comm. Large User (SS6)	\$ 1,521.12	\$ 173.73	12.89%	\$ 1,521.12	\$ 173.73	12.89%
15	Multi-family Res. Units (AC SSR)	\$ 14.48	\$ 1.61	12.51%	\$ 14.48	\$ 1.61	12.51%
16	Comm. additional toilets (SS1)	\$ 4.25	\$ 0.47	12.43%	\$ 4.25	\$ 0.47	12.43%
17	Comm. per dishwasher (SS2)	\$ 32.74	\$ 3.64	12.51%	\$ 32.74	\$ 3.64	12.51%
18	Comm. per wash mach. (SS3)	\$ 7.94	\$ 0.88	12.46%	\$ 7.94	\$ 0.88	12.46%
19	Comm. per wash rack (SS4)	\$ 16.20	\$ 1.80	12.50%	\$ 16.20	\$ 1.80	12.50%
20	Intentionally left blank						

(a) Reflects phase two rates.

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE		PERCENT		MEDIAN	
			DECREASE				DECREASE
21	Residential Units (SSR)	\$ 10.82	\$ (2.05)	-15.93%	\$ 10.82	\$ (2.05)	-15.93%
22	Comm/Resid Units (SSR)	\$ 10.82	\$ (2.05)	-15.93%	\$ 10.82	\$ (2.05)	-15.93%
23	Commerical	\$ 12.99	\$ (2.47)	-15.98%	\$ 12.99	\$ 0.12	0.93%
24	Comm. Large User (SS6)	\$ 1,150.92	\$ (196.47)	-14.58%	\$ 1,150.92	\$ (196.47)	-14.58%
25	Multi-family Res. Units (AC SSR)	\$ 10.82	\$ (2.05)	-15.93%	\$ 10.82	\$ (2.05)	-15.93%
26	Comm. additional toilets (SS1)	\$ 3.18	\$ (0.60)	-15.87%	\$ 3.18	\$ (0.60)	-15.87%
27	Comm. per dishwasher (SS2)	\$ 24.45	\$ (4.65)	-15.98%	\$ 24.45	\$ (4.65)	-15.98%
28	Comm. per wash mach. (SS3)	\$ 5.93	\$ (1.13)	-16.01%	\$ 5.93	\$ (1.13)	-16.01%
29	Comm. per wash rack (SS4)	\$ 12.10	\$ (2.30)	-15.97%	\$ 12.10	\$ (2.30)	-15.97%
30	Intentionally left blank						

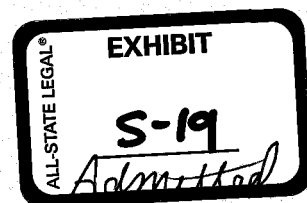
**REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 15,212,898	\$ 9,649,461	\$ 9,649,461
2	Adjusted Operating Income/(Loss)	\$ 796,077	\$ 1,055,366	\$ 1,055,366
3	Current Rate of Return (L2 / L1)	5.23%	10.94%	10.94%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 1,179,000	\$ 634,935	\$ 634,935
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 382,923	\$ (420,431)	\$ (420,431)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 623,628	<b>\$ (684,729)</b>	<b>\$ (684,729)</b>
9	Adjusted Test Year Revenue	\$ 4,394,775	\$ 4,394,775	\$ 4,394,775
10	Proposed Annual Revenue (L8 + L9)	\$ 5,018,403	\$ 3,710,046	\$ 3,710,046
11	Required Increase/Decrease in Revenue (%)	14.19%	-15.58%	-15.58%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, & D-1

Columns [B] & [C]: Staff Schedules All-1, DWC-2, DWC-3, & JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 634,935			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 1,055,366			
20	Required Increase in Operating Income (L18 - L19)		\$ (420,431)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 228,081			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 492,378			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (264,298)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 3,710,046			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (684,729)		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 4,394,775		STAFF Recommended	\$ 3,710,046
31	Operating Expenses Excluding Income Taxes	\$ 2,847,031	\$ -		\$ 2,847,031
32	Synchronized Interest (L43)	\$ 272,115			\$ 272,115
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 1,275,629			\$ 590,900
34	Arizona State Income Tax Rate	6.9680%			6.9680%
35	Arizona Income Tax (L33 x L34)		\$ 88,886		\$ 41,174
36	Federal Taxable Income (L33 - L35)	\$ 1,186,743		\$ 549,726	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)		\$ 403,493		\$ 186,907
39	Combined Federal and State Income Tax (L35 + L38)		\$ 492,378		\$ 228,081
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 9,649,461			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 272,115			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 23,833,079	\$ (28,638)	A	\$ 23,804,441
2	Less: Accumulated Depreciation	7,852,645	(93,363)	B	7,759,282
3	Net Plant in Service	<u>\$ 15,980,434</u>	<u>\$ 64,725</u>		<u>\$ 16,045,159</u>
	<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -		\$ -
5	Less: Accumulated Amortization	-	-		-
6	Net CIAC	<u>2,825,809</u>	-		<u>2,825,809</u>
7	Advances in Aid of Construction (AIAC)	3,462,178	-		3,462,178
8	Customer Deposits	-	-		-
9	Meter Advances	107,711	-		107,711
10	Deferred Income Tax Credits	-	-		-
	<u>ADD:</u>				
11	Cash Working Capital	-	-		-
12	Prepayments	-	-		-
13	Supplies Inventory	-	-		-
14	Projected Capital Expenditures	-	-		-
15	Deferred Debits	-	-		-
16	Citizens Acquisition Adjustment	6,121,931	(6,121,931)	C	-
17	Original Cost Rate Base	<u>\$ 15,706,667</u>	<u>\$ (6,057,206)</u>		<u>\$ 9,649,461</u>

Adjustments:

A. Per plant adjustments on Schedule DWC-4

B. Per accumulated depreciation adjustments on Schedule DWC-4

C. Per acquisition adjustment on Schedule DWC-4

References:

Column [A]: Company Schedule B-1

Column [B]: Staff Schedule DWC-4

Column [C]: Column [A] + Column [B]

SUM ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>				Leave Blank		Leave Blank	Leave Blank		Leave Blank		
1		<b>Intangible</b>									
2	301.00	Organization	\$ 34,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,004
3	302.00	Franchises	37,061	-	-	-	-	-	-	-	37,061
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	71,065	-	-	-	-	-	-	-	71,065
6											
7		<b>Source of Supply</b>									
8	310.00	Land & Land Rights	261,542	-	(63,719)	-	-	11,225	-	-	209,048
9	311.00	Structures & Improvements	643,073	-	-	-	-	127,873	-	-	770,946
10	312.00	Collecting & Impounding Reservoirs	663,944	-	-	-	-	-	-	-	663,944
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	802,320	-	(37,111)	-	-	(11,000)	-	-	754,209
13		Subtotal Source of Supply	2,370,879	-	(100,830)	-	-	126,098	-	-	2,396,147
14											
15		<b>Pumping</b>									
16	320.00	Land & Land Rights	2,361	-	-	-	-	-	-	-	2,361
17	321.00	Structures & Improvements	1,687	-	-	-	-	-	-	-	1,687
18	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
19	325.00	Electric Pumping Equipment	1,708,531	-	-	-	-	146,092	-	-	1,854,623
20	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
21	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-	-
22		Subtotal Pumping	1,712,579	-	-	-	-	146,092	-	-	1,858,671
23											
24		<b>Water Treatment</b>									
25	330.00	Land & Land Rights	409,500	-	-	-	-	(12,699)	-	-	396,801
26	331.00	Structures & Improvements	15,157	-	-	-	-	-	-	-	15,157
27	332.00	Water Treatment Equipment	49,196	-	-	-	-	1,674	-	-	50,870
28		Subtotal Water Treatment	473,853	-	-	-	-	(11,025)	-	-	462,828
29											
30		<b>Transmission &amp; Distribution</b>									
31	340.00	Land & Land Rights	9,609	-	-	-	-	-	-	-	9,609
32	341.00	Structures & Improvements	4,583	-	-	-	-	-	-	-	4,583
33	342.00	Distribution Reservoirs & Standpipes	1,189,528	-	(96,020)	-	-	-	-	-	1,093,508
34	343.00	Transmission & Distribution	11,691,493	-	-	-	-	(30,000)	-	-	11,661,493
35	344.00	Fire Mains	-	-	-	-	-	-	-	-	-
36	345.00	Services	2,863,818	-	-	-	-	-	-	-	2,863,818
37	346.00	Meters	1,825,558	-	-	-	-	-	-	-	1,825,558
38	348.00	Hydrants	-	-	-	-	-	-	-	-	-
39	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
40		Subtotal Transmission & Distribu.	17,584,589	-	(96,020)	-	-	(30,000)	-	-	17,458,569
41											
42		<b>General - Allocated Common Plant</b>									
43	350.00	Land & Land Rights	293	-	-	-	-	-	-	-	293
44	390.00	Structures & Improvements	89,251	-	(37,142)	-	-	(23,400)	-	-	28,709
45	391.00	Office Furniture and Equipment	313,106	-	-	-	-	(11,960)	-	-	301,146
46	391.10	Computer Equipment	353,433	-	-	-	-	-	-	-	353,433
47	392.00	Transportation Equipment	542,457	-	-	-	-	3,678	-	-	546,135
48	393.00	Stores Equipment	2,865	-	-	-	-	-	-	-	2,865
49	394.00	Tools, Shop, & Garage Equipment	118,742	-	-	-	-	821	-	-	119,563
50	395.00	Laboratory Equipment	7,277	-	-	-	-	-	-	-	7,277
51	396.00	Power Operated Equipment	71,294	-	-	-	-	-	-	-	71,294
52	397.00	Communication Equipment	110,560	-	-	-	-	3,050	-	-	113,610
53	398.00	Miscellaneous Equipment	10,836	-	-	-	-	-	-	-	10,836
54		Subtotal General	1,620,114	-	(37,142)	-	-	(27,811)	-	-	1,555,161
55											
56	Add:										
57											
58	Less:										
59											
60											
61		Total Plant in Service	\$ 23,833,079	\$ -	\$ (233,992)	\$ -	\$ -	\$ 205,354	\$ -	\$ -	\$ 23,804,441
62		Less: Accumulated Depreciation	7,852,645	-	93,363	-	-	-	-	-	7,759,282
63		Net Plant in Service (L59 - L 60)	\$ 15,980,434	\$ -	\$ (140,629)	\$ -	\$ -	\$ 205,354	\$ -	\$ -	\$ 16,045,159
64											
65		<b>LESS:</b>									
66		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67		Less: Accumulated Amortization	-	-	-	-	-	-	-	-	-
68		Net CIAC (L25 - L26)	2,825,809	-	-	-	-	-	-	-	2,825,809
69		Advances in Aid of Construction (AIAC)	3,462,178	-	-	-	-	-	-	-	3,462,178
70		Customer Deposits	-	-	-	-	-	-	-	-	-
71		Meter Advances	107,711	-	-	-	-	-	-	-	107,711
72		Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-
73											
74		<b>ADD:</b>									
75		Cash Working Capital Allowance	-	-	-	-	-	-	-	-	-
76		Prepayments	-	-	-	-	-	-	-	-	-
77		Supplies Inventory	-	-	-	-	-	-	-	-	-
78		Projected Capital Expenditures	-	-	-	-	-	-	-	-	-
79		Deferred Debits	-	-	-	-	-	-	-	-	-
80		Citizens Acquisition Adjustment	6,121,931	-	-	-	-	-	-	(6,121,931)	-
81		Original Cost Rate Base	\$ 15,706,667	\$ -	\$ (140,629)	\$ -	\$ -	\$ 205,354	\$ -	\$ (6,121,931)	\$ 9,649,461

ADJ #		References:
1	Plant - not used & useful	Per Staff Engineering Reports
2	Plant - unidentified	Per Staff Engineering Reports
3	Plant - mis-posted	Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision	Per Decision No. 60172
5	Post-Test Year Plant	Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95	Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment	Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 4,286,070	\$ -	\$ 4,286,070	\$ (684,729)	\$ 3,601,341
3	Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	108,705	-	108,705	-	108,705
5	Total Operating Revenues	\$ 4,394,775	\$ -	\$ 4,394,775	\$ (684,729)	\$ 3,710,046
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 844,087	\$ (229,804)	\$ 614,283	\$ -	\$ 614,283
9	Purchased Water	5,040	-	5,040	-	5,040
10	Purchased Pumping Power	294,603	76	294,679	-	294,679
11	Chemicals	8,150	(26,286)	(18,136)	-	(18,136)
12	Repairs & Maintenance	301,313	-	301,313	-	301,313
13	Office Supplies & Expense	249,611	(129,247)	120,364	-	120,364
14	Outside Services	5,177	35,042	40,219	-	40,219
15	Service Company Charges	521,040	(521,040)	-	-	-
16	Water Testing	-	-	-	-	-
17	Rents	18,307	-	18,307	-	18,307
18	Transportation Expense	-	-	-	-	-
19	Insurance - General Liability	27,385	42,838	70,223	-	70,223
20	Insurance - Health and Life	-	-	-	-	-
21	Regulatory Comm. Exp. - Rate Case	29,013	-	29,013	-	29,013
22	Miscellaneous Operating Expense	83,386	339,176	422,562	-	422,562
23	Depreciation Expense	692,199	(21,266)	670,933	-	670,933
24	Taxes Other Than Income	47,563	(9,622)	37,941	-	37,941
25	Property Taxes	272,584	(32,295)	240,289	-	240,289
26	Income Tax	199,240	293,138	492,378	(264,297)	228,081
27						
28	Total Operating Expenses	\$ 3,598,698	\$ (259,289)	\$ 3,339,409	\$ (264,297)	\$ 3,075,112
29	Operating Income (Loss)	\$ 796,077	\$ 259,289	\$ 1,055,366	\$ (420,432)	\$ 634,934

References:

Column [A]: Company Schedule C-1

Column [B]: Schedule AII-2

Column [C]: Column [A] + Column [B]

Column [D]: Schedules DWC-1 and DWC-2

Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) STAFF ADJUSTED
1	REVENUES:										
2	Metered Water Sales	\$ 4,286,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,286,070
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	108,705	-	-	-	-	-	-	-	-	-
5	Total Operating Revenues	\$ 4,394,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,394,775
6											
7	OPERATING EXPENSES:										
8	Salaries & Wages	\$ 844,087	\$ -	\$ -	\$ (270,391)	\$ 614,283	\$ (573,696)	\$ -	\$ -	\$ -	\$ 614,283
9	Purchased Water	5,040	-	-	-	-	-	-	-	-	5,040
10	Purchased Pumping Power	294,603	76	-	-	-	-	-	-	-	294,679
11	Chemicals	8,150	-	-	(26,286)	-	-	-	-	-	(18,136)
12	Repairs & Maintenance	301,313	-	-	-	-	-	-	-	-	301,313
13	Office Supplies & Expense	249,611	18,092	-	(147,339)	-	-	-	-	-	120,364
14	Outside Services	5,177	35,042	-	-	-	-	-	-	-	40,219
15	Service Company Charges	521,040	-	(521,040)	-	-	-	-	-	-	-
16	Water Testing	-	-	-	-	-	-	-	-	-	-
17	Rents	18,307	-	-	-	-	-	-	-	-	18,307
18	Transportation Expense	-	-	-	-	-	-	-	-	-	-
19	Insurance - General Liability	27,385	42,838	-	-	-	-	-	-	-	70,223
20	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
21	Regulatory Comm. Exp. - Rate Case	29,013	-	-	-	-	-	-	-	-	29,013
22	Miscellaneous Operating Expense	83,386	340,594	-	(1,418)	-	-	-	-	-	422,562
23	Depreciation Expense	692,199	-	-	-	-	-	(21,266)	-	-	670,933
24	Taxes Other Than Income	47,563	-	-	-	-	(47,563)	-	-	-	37,941
25	Property Taxes	272,584	-	-	-	37,941	-	-	(32,295)	-	240,289
26	Income Tax	199,240	-	-	-	-	-	-	-	-	492,378
27											
28	Total Operating Expenses	\$ 3,598,698	\$ 436,643	\$ (521,040)	\$ (445,434)	\$ 652,224	\$ (621,259)	\$ (21,266)	\$ (32,295)	\$ 293,138	\$ 3,339,409
29	Operating Income (Loss)	\$ 796,077	\$ (436,643)	\$ 521,040	\$ 445,434	\$ (652,224)	\$ 621,259	\$ 21,266	\$ 32,295	\$ (293,138)	\$ 1,055,366

ADJ #	References:
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes
	Schedule All-3
	Schedule All-4
	Schedule All-5
	Schedule All-6
	Schedule All-7
	Schedule All-8
	Schedule All-9
	Schedule All-10

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (76)	1b	\$ 76
3	Chemicals	\$ -	1c	\$ -
4	Repairs & Maintenance	\$ -	1d	\$ -
5	Office Supplies & Expense	\$ (18,092)	1e	\$ 18,092
6	Outside Services	\$ (35,042)	1f	\$ 35,042
7	Rents	\$ -	1g	\$ -
8	Insurance Expense - General Liability	\$ (42,838)	1h	\$ 42,838
9	Miscellaneous Expense	\$ (340,594)	1i	\$ 340,594
10	Total Adjustments	<u>\$ (436,643)</u>		<u>\$ 436,643</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 11  
Stephenson, Direct, pages 14, 15, and 16

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 521,040	\$ (521,040)
2	Total Adjustments	<u>\$ 521,040</u>	<u>\$ (521,040)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 11 and 12  
Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 270,391	3a	\$ (270,391)
2	Office Expense	\$ 147,339	3b	\$ (147,339)
3	Chemicals	\$ 26,286	3c	\$ (26,286)
4	Miscellaneous	\$ 1,418	3d	\$ (1,418)
5	Total Adjustment	<u>\$ 445,433</u>		<u>\$ (445,434)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE		[A]		[B]
NO.	DESCRIPTION	COMPANY AS FILED	ADJUSTMENT LABEL	STAFF ADJUSTMENT
1	Salaries & Wages	\$ (614,283)	4a	\$ 614,283
2	Payroll Taxes	\$ (37,941)	4b	\$ 37,941
3	Total Adjustments	<u>\$ (652,224)</u>		<u>\$ 652,224</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 11

Column [B]: Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - MOHAVE WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SCHEDULE AII-7

OPERATING INCOME ADJUSTMENT #4 - PROJECTED SALARIES AND WAGES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 573,696	5a	\$ (573,696)
2	Payroll Taxes	\$ 47,563	5b	\$ (47,563)
3	Total Adjustments	<u>\$ 621,259</u>		<u>\$ (621,259)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, page 12  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ 34,004	0.00%	\$ -
3	Franchises	\$ 37,061	0.00%	\$ -
4	Miscellaneous Intangibles	\$ -	0.00%	\$ -
5	Subtotal Intangible	<u>\$ 71,065</u>		<u>\$ -</u>
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 209,048	0.00%	\$ -
9	Structures and Improvements	\$ 770,946	2.83%	\$ 21,818
10	Collecting and Impounding Res.	\$ 663,944	2.54%	\$ 16,864
11	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
12	Wells and Springs	\$ 754,209	2.70%	\$ 20,364
13	Subtotal Source of Supply	<u>\$ 2,398,147</u>		<u>\$ 59,046</u>
14				
15	<u>Pumping</u>			
16	Land and Land Rights	\$ 2,361	0.00%	\$ -
17	Structures and Improvements	\$ 1,687	2.39%	\$ 40
18	Other Power Production	\$ -	0.00%	\$ -
19	Electric Pumping Equipment	\$ 1,854,623	5.12%	\$ 94,957
20	Diesel Pumping Equipment	\$ -	0.00%	\$ -
21	Gas Engine Pumping Equipment	\$ -	0.00%	\$ -
22	Subtotal Pumping	<u>\$ 1,858,671</u>		<u>\$ 94,997</u>
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ 396,801	0.00%	\$ -
26	Structures and Improvements	\$ 15,157	2.50%	\$ 379
27	Water Treatment Equipment	\$ 50,870	12.00%	\$ 6,104
28	Subtotal Water Treatment	<u>\$ 462,828</u>		<u>\$ 6,483</u>
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ 9,609	0.00%	\$ -
32	Structures and Improvements	\$ 4,583	1.81%	\$ 83
33	Distribution, Reservoirs, & ST	\$ 1,093,508	1.81%	\$ 19,792
34	Transmission and Distribution	\$ 11,661,493	2.61%	\$ 304,365
35	Fire Mains	\$ -	0.00%	\$ -
36	Services	\$ 2,863,818	5.41%	\$ 154,933
37	Meters	\$ 1,825,558	6.53%	\$ 119,209
38	Hydrants	\$ -	0.00%	\$ -
39	Other Transmission & Distribution	\$ -	0.00%	\$ -
40	Subtotal Transmission and Distribution	<u>\$ 17,458,569</u>		<u>\$ 598,382</u>
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 293	0.00%	\$ -
44	Structures and Improvements	\$ 28,709	2.03%	\$ 583
45	Office Furniture and Equipment	\$ 301,146	4.10%	\$ 12,342
46	Computer Equipment	\$ 353,433	4.10%	\$ 14,485
47	Transportation Equipment	\$ 546,135	25.00%	\$ 136,534
48	Stores Equipment	\$ 2,865	3.93%	\$ 113
49	Tools, Shop and Garage	\$ 119,563	7.55%	\$ 9,029
50	Laboratory Equipment	\$ 7,277	3.06%	\$ 223
51	Power Operated Equipment	\$ 71,294	9.23%	\$ 6,581
52	Communication Equipment	\$ 113,610	4.10%	\$ 4,662
53	Miscellaneous Equipment	\$ 10,836	6.19%	\$ 671
54	Subtotal General	<u>\$ 1,555,161</u>		<u>\$ 185,222</u>
55				
56	TOTALS	\$ 23,804,441		\$ 944,130
57	Amortization of Deferred Regulatory Assets	\$ 234,640	4.00%	\$ 9,384
58	Less: Amotization of Contributions	\$ 2,825,809	10.00%	\$ (282,581)
59	Staff Recommended Depreciation Expense			\$ 670,933
60	Company Proposed Depreciatioon Expense			\$ 692,199
61	Staff Adjustment			<u>\$ (21,266)</u>

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 4,394,775.00
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 8,789,550
4	Staff Recommended Revenue	\$ 3,710,046
5	Subtotal (Line 4 + Line 5)	\$ 12,499,596
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 4,166,532
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 8,333,064
10	Plus: 10% of CWIP - 2001	\$ -
	Less: Net Book Value of Licensed Vehicles	\$ 524,857
11	Less: Net Book Value of Licensed Vehicles - Pro Forma	\$ 17,600
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 7,790,607
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 1,947,652
15	Composite Property Tax Rate	12.337393%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 240,289
17	Company Proposed Property Tax Expense	\$ 272,584
18	Staff Adjustment (Line 16 - Line 17)	\$ (32,295)

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ 199,240	\$ 293,138	\$ 492,378
2	Total	\$ 199,240	\$ 293,138	\$ 492,378

REFERENCES:

Column [A]:

Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]:

Testimony, All  
Schedule DWC-2

Column [C]:

Column [A] + Column [B]

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES		
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	TIER ONE	TIER TWO	UPPER LIMIT
1	Residential 5/8"	\$ 8.65	1,000	\$ 9.84	1,000	\$ 7.27	-	1.48	Infinite	
2	Residential 3/4"	\$ 8.65	1,000	\$ 9.84	1,000	\$ 7.27	-	1.48	Infinite	
3	Residential 1"	\$ 15.00	1,000	\$ 17.07	1,000	\$ 12.61	-	1.48	Infinite	
4	Residential 1.5"	\$ 25.00	1,000	\$ 28.45	1,000	\$ 21.01	-	1.48	Infinite	
5	Residential 2"	\$ 30.00	1,000	\$ 34.14	1,000	\$ 25.21	-	1.48	Infinite	
6	Residential 3"	\$ 60.00	1,000	\$ 68.28	1,000	\$ 50.41	-	1.48	Infinite	
7	Residential 4"	\$ 90.00	1,000	\$ 102.42	1,000	\$ 75.62	-	1.48	Infinite	
8	Residential 6"	\$ 200.00	1,000	\$ 227.60	1,000	\$ 168.05	-	1.48	Infinite	
9	Residential 8"	\$ 400.00	1,000	\$ 455.20	1,000	\$ 336.10	-	1.48	Infinite	
10	Residential 10"	N/A		\$ 787.20	1,000	\$ 561.23	-	1.48	Infinite	
11	Residential MF 5/8"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
12	Residential MF 1"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
13	Residential MF 1.5"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
14	Residential MF 2"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
15	Residential MF 4"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
16	Residential MF 6"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
17	Rio Res 5/8"	\$ 7.75	2,000	\$ 8.82	2,000	\$ 6.51	-	1.75	Infinite	
18	Rio Res 1"	\$ 7.75	2,000	\$ 8.82	2,000	\$ 6.51	-	1.75	Infinite	
19	Rio Res 2"	\$ 7.75	2,000	\$ 8.82	2,000	\$ 6.51	-	1.75	Infinite	
20	Commercial 3/4"	\$ 8.65	1,000	\$ 9.84	1,000	\$ 7.27	-	1.48	Infinite	
21	Commercial 1"	\$ 15.00	1,000	\$ 17.07	1,000	\$ 12.60	-	1.48	Infinite	
22	Commercial 1.5"	\$ 25.00	1,000	\$ 28.45	1,000	\$ 21.00	-	1.48	Infinite	
23	Commercial 2"	\$ 30.00	1,000	\$ 34.14	1,000	\$ 25.21	-	1.48	Infinite	
24	Commercial 3"	\$ 60.00	1,000	\$ 68.28	1,000	\$ 50.42	-	1.48	Infinite	
25	Commercial 4"	\$ 90.00	1,000	\$ 102.42	1,000	\$ 75.62	-	1.48	Infinite	
26	Commercial 6"	\$ 200.00	1,000	\$ 227.60	1,000	\$ 168.05	-	1.48	Infinite	
27	Commercial 8"	\$ 400.00	1,000	\$ 455.20	1,000	\$ 336.10	-	1.48	Infinite	
28	Commercial 10"	N/A		\$ 787.20	1,000	\$ 561.23	-	1.48	Infinite	
29	Comm MU 5/8"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
30	Comm MU 1"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
31	Comm MU 1.5"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
32	Comm MU 2"	\$8.65 X No. Of Units	1,000 X No. of Units	\$9.84 X No. Of Units	1,000 X No. of Units	\$7.27 X No. Of Units	-	1.48	Infinite	
33	PA 5/8"	\$ 8.65	1,000	\$ 9.84	1,000	\$ 7.27	-	1.48	Infinite	
34	PA 1"	\$ 15.00	1,000	\$ 17.07	1,000	\$ 12.60	-	1.48	Infinite	
35	PA 1.5"	\$ 25.00	1,000	\$ 28.45	1,000	\$ 21.01	-	1.48	Infinite	
36	PA 2"	\$ 30.00	1,000	\$ 34.14	1,000	\$ 25.21	-	1.48	Infinite	
37	PA 3"	\$ 60.00	1,000	\$ 68.28	1,000	\$ 50.41	-	1.48	Infinite	
38	PA 4"	\$ 90.00	1,000	\$ 102.42	1,000	\$ 75.62	-	1.48	Infinite	
39	PA 6"	\$ 200.00	1,000	\$ 227.60	1,000	\$ 168.05	-	1.48	Infinite	
40	PF 2"	\$ 3.41	-	\$ 3.41	-	\$ 2.52	-	1.48	Infinite	
41	PF 4"	\$ 6.00	-	\$ 6.83	-	\$ 5.04	-	1.48	Infinite	
42	PF 6"	\$ 9.00	-	\$ 10.24	-	\$ 7.56	-	1.48	Infinite	
43	PF 8"	\$ 12.00	-	\$ 13.66	-	\$ 10.08	-	1.48	Infinite	
44	PF 10"	\$ 15.00	-	\$ 17.07	-	\$ 12.60	-	1.48	Infinite	
45	PF 12"	\$ 18.00	-	\$ 18.00	-	\$ 15.12	-	1.48	Infinite	
46	PF 14"	\$ 21.00	-	\$ 21.00	-	\$ 17.65	-	1.48	Infinite	
47	PF 20"	\$ 30.00	-	\$ 30.00	-	\$ 25.21	-	1.48	Infinite	
48	PF Hydrant	\$ 7.64	-	\$ 8.69	-	\$ 6.42	-	1.48	Infinite	
49	Standby	\$ 7.64	-	\$ 8.69	-	\$ 6.42	-	1.48	Infinite	
50	Intentionally Left Blank									
51										

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES			STAFF RECOMMENDED RATES		
		TIER ONE	TIER TWO	TIER THREE	TIER ONE	TIER TWO	TIER THREE
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE
52	Residential 5/8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
53	Residential 3/4"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
54	Residential 1"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
55	Residential 1.5"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
56	Residential 2"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
57	Residential 3"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
58	Residential 4"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
59	Residential 6"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
60	Residential 8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
61	Residential 10"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
62	Residential MF 5/8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
63	Residential MF 1"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
64	Residential MF 1.5"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
65	Residential MF 2"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
66	Residential MF 4"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
67	Residential MF 6"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
68	Rio Res 5/8"	\$ 1.99	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
69	Rio Res 1"	\$ 1.99	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
70	Rio Res 2"	\$ 1.99	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
71	Commercial 5/8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
72	Commercial 3/4"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
73	Commercial 1"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
74	Commercial 1.5"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
75	Commercial 2"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
76	Commercial 3"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
77	Commercial 4"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
78	Commercial 6"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
79	Commercial 8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
80	Commercial 10"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
81	Comm MU 5/8"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
82	Comm MU 1"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
83	Comm MU 1.5"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
84	Comm MU 2"	\$ 1.68	Infinite	\$ 0.81	\$ 1.23	100,000	\$ 1.47
85	PA 5/8"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
86	PA 1"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
87	PA 1.5"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
88	PA 2"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
89	PA 3"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
90	PA 4"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
91	PA 6"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
92	PF 2"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
93	PF 4"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
94	PF 6"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
95	PF 8"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
96	PF 10"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
97	PF 12"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
98	PF 14"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
99	PF 20"	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
100	PF Hydrant	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
101	Standby	\$ 1.68	Infinite	\$ 1.25	\$ 1.23	100,000	\$ 1.47
102	Intentionally Left Blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"				
2	RS BCMI 5/8"	8,787	\$ 20.18	7,000	\$ 17.53
3	RS BRMI 5/8"	7,466	\$ 18.22	7,000	\$ 17.53
4	RS BRMO 5/8"	11,076	\$ 23.56	7,000	\$ 17.53
5	Residential MF 5/8"				
6	RS B002 5/8"	13,090	\$ 33.71	7,000	\$ 24.70
7	RS B003 5/8"	12,178	\$ 39.53	7,000	\$ 31.87
8	RS B004 5/8"	18,231	\$ 55.66	7,000	\$ 39.04
9	RS B005 5/8"	29,000	\$ 78.77	7,000	\$ 46.21
10	RS B006 5/8"	28,139	\$ 84.67	7,000	\$ 53.38
11	RS B007 5/8"	23,917	\$ 85.59	7,000	\$ 60.55
12	RS B008 5/8"	47,917	\$ 128.28	7,000	\$ 69.20
13	RS B009 5/8"	15,750	\$ 87.84	7,000	\$ 77.85
14	RS B010 5/8"	48,750	\$ 143.85	7,000	\$ 86.50
15	RS B012 5/8"	87,524	\$ 215.58	7,000	\$ 103.80
16	RS B018 5/8"	74,000	\$ 238.58	7,000	\$ 155.70
17	RS B019 5/8"	19,833	\$ 165.58	7,000	\$ 164.35
18	RS B020 5/8"	48,944	\$ 215.84	7,000	\$ 173.00
19	RS B022 5/8"	63,625	\$ 251.91	7,000	\$ 190.30
20	RS B060 5/8"	183,750	\$ 702.15	7,000	\$ 519.00
21	RS B067 5/8"	355,545	\$ 1,006.60	7,000	\$ 579.55
22	Residential 3/4"	NOT USED			
23	Residential 1"				
24	RS BCMI 1"	37,875	\$ 69.58	7,000	\$ 23.88
25	RS BIM1 1"	20,334	\$ 43.61	7,000	\$ 23.88
26	Residential MF 1"				
27	RS B002 1"	14,743	\$ 36.16	7,000	\$ 24.70
28	RS B003 1"	12,970	\$ 40.71	7,000	\$ 31.87
29	RS B004 1"	19,350	\$ 57.32	7,000	\$ 39.04
30	RS B006 1"	38,083	\$ 99.38	7,000	\$ 53.38
31	RS B008 1"	126,667	\$ 244.83	7,000	\$ 69.20
32	RS B009 1"	6,833	\$ 77.85	7,000	\$ 77.85
33	RS B010 1"	46,917	\$ 141.14	7,000	\$ 86.50
34	RS B012 1"	159,000	\$ 321.36	7,000	\$ 103.80
35	RS B013 1"	31,708	\$ 140.14	7,000	\$ 112.45
36	RS B014 1"	72,708	\$ 207.99	7,000	\$ 121.10
37	RS B018 1"	83,917	\$ 253.26	7,000	\$ 155.70
38	RS B030 1"	61,000	\$ 305.38	7,000	\$ 259.50
39	Residential 1.5"	NOT USED			
40	Residential MF 1.5"				
41	RS B004 1.5"	-	\$ 34.60	-	\$ 34.60
42	RS B026 1.5"	72,833	\$ 294.21	7,000	\$ 224.90
43	RS B052 1.5"	95,125	\$ 513.63	7,000	\$ 449.80
44	Residential 2"				
45	RS BCMI 2"	36,152	\$ 82.02	7,000	\$ 38.88
46	RS BRMI 2"	72,230	\$ 135.42	7,000	\$ 38.88
47	Residential MF 2"				
48	RS B004 2"	15,924	\$ 52.25	7,000	\$ 39.04
49	RS B006 2"	103,833	\$ 196.69	7,000	\$ 53.38
50	RS B008 2"	17,000	\$ 82.52	7,000	\$ 69.20
51	RS B009 2"	57,958	\$ 150.31	7,000	\$ 77.85
52	RS B010 2"	23,417	\$ 106.36	7,000	\$ 86.50
53	RS B011 2"	11,417	\$ 95.77	7,000	\$ 95.15
54	RS B012 2"	34,304	\$ 136.81	7,000	\$ 103.80
55	RS B013 2"	9,333	\$ 112.45	7,000	\$ 112.45
56	RS B015 2"	8,000	\$ 129.75	7,000	\$ 129.75
57	RS B016 2"	95,359	\$ 255.85	7,000	\$ 138.40
58	RS B017 2"	6,083	\$ 147.05	7,000	\$ 147.05
59	RS B018 2"	45,208	\$ 195.97	7,000	\$ 155.70
60	RS B020 2"	55,750	\$ 225.91	7,000	\$ 173.00
61	RS B021 2"	11,972	\$ 181.65	7,000	\$ 181.65
62	RS B023 2"	15,167	\$ 198.95	7,000	\$ 198.95
63	RS B024 2"	89,083	\$ 303.92	7,000	\$ 207.60
64	RS B025 2"	24,750	\$ 216.25	7,000	\$ 216.25
65	RS B028 2"	81,000	\$ 320.64	7,000	\$ 242.20
66	RS B030 2"	70,917	\$ 320.06	7,000	\$ 259.50
67	RS B031 2"	184,167	\$ 494.84	7,000	\$ 268.15
68	RS B040 2"	235,167	\$ 634.85	7,000	\$ 346.00
69	RS B041 2"	278,208	\$ 705.72	7,000	\$ 354.65
70	RS B043 2"	164,278	\$ 551.44	7,000	\$ 371.95

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

71	RS B048 2"	255,750	\$	722.67	7,000	\$	415.20
72	RS B052 2"	148,250	\$	592.25	7,000	\$	449.80
73	RS B057 2"	167,167	\$	656.10	7,000	\$	493.05
74	RS B173 2"	631,000	\$	2,174.29	7,000	\$	1,496.45
75	RS B174 2"	17,400	\$	1,505.10	7,000	\$	1,505.10
76	Residential MF 4"						
77	RS B041 4"	404,583	\$	892.75	7,000	\$	354.65
78	RS B066 4"	28,583	\$	570.90	7,000	\$	570.90
79	Residential MF 6"						
80	RS B174 6"	87,600	\$	1,505.10	7,000	\$	1,505.10
81	RS B359 6"	1,192,333	\$	4,338.68	7,000	\$	3,105.35
82	RS B373 6"	1,104,000	\$	4,308.33	7,000	\$	3,226.45
83	RS M695	2,057,083	\$	8,027.63	7,000	\$	6,011.75
84	Rio Verde Res 5/8"	11,942	\$	25.15	7,000	\$	16.50
85	Rio Verde Res 1"	12,501	\$	26.13	8,000	\$	18.25
86	Rio Verde Res 2"	11,000	\$	23.50	7,000	\$	16.50
87	Commerical 5/8"						
88	CM BAMI 5/8"	15,042	\$	29.43	7,000	\$	17.53
89	CM BCMI 5/8"	11,714	\$	24.51	7,000	\$	17.53
90	CM BCMO 5/8"	196,229	\$	297.59	7,000	\$	17.53
91	CM BRNI 5/8"	13,286	\$	26.83	7,000	\$	17.53
92	CM RCMI 5/8"	8,000	\$	19.01	7,000	\$	17.53
93	Comm MU 5/8"						
94	CM B002 5/8"	9,125	\$	27.85	7,000	\$	24.70
95	CM B003 5/8"	27,250	\$	61.84	7,000	\$	31.87
96	CM B004 5/8"	13,000	\$	47.92	7,000	\$	39.04
97	CM B005 5/8"	17,417	\$	61.63	7,000	\$	46.21
98	CM B006 5/8"	14,917	\$	65.10	7,000	\$	53.38
99	CM B007 5/8"	28,250	\$	92.00	7,000	\$	60.55
100	CM B010 5/8"	8,500	\$	86.50	7,000	\$	86.50
101	CM B017 5/8"	365,500	\$	662.83	7,000	\$	147.05
102	Commerical 3/4"	NOT USED					
103	Commerical 1"						
104	CM BCMI 1"	29,461	\$	57.12	7,000	\$	23.88
105	CM BCMO 1"	14,368	\$	34.79	7,000	\$	23.88
106	CM RCMI 1"	20,000	\$	43.12	7,000	\$	23.88
107	CM BCTX 1"	-	\$	15.00	-	\$	15.00
108	Comm MU 1"						
109	CM B003 1"	22,167	\$	54.32	7,000	\$	31.87
110	CM B004 1"	11,174	\$	45.22	7,000	\$	39.04
111	CM B005 1"	7,167	\$	46.46	7,000	\$	46.21
112	CM B006 1"	9,917	\$	57.70	7,000	\$	53.38
113	Commerical 1.5"						
114	CM BCMI 1.5"	85,344	\$	149.83	7,000	\$	33.88
115	Comm MU 1.5"						
116	CM B005 1.5"	123,250	\$	218.26	7,000	\$	46.21
117	Commerical 2"						
118	CM BAMI 2"	39,875	\$	87.54	7,000	\$	38.88
119	CM BCMI 2"	107,010	\$	186.89	7,000	\$	38.88
120	BCMO 2"	62,901	\$	121.61	7,000	\$	38.88
121	CM BCTX 2"	74,194	\$	138.33	7,000	\$	38.88
122	Comm MU 2"						
123	CM B004 2"	118,000	\$	203.32	7,000	\$	39.04
124	CM B006 2"	15,667	\$	66.21	7,000	\$	53.38
125	CM B012 2"	265,083	\$	478.36	7,000	\$	103.80
126	CM B014 2"	183,667	\$	372.21	7,000	\$	121.10
127	CM B044 2"	4,750	\$	380.60	7,000	\$	380.60
128	Commerical 3"						
129	CM BCMI 3"	153,110	\$	285.12	7,000	\$	68.88
130	PA 5/8" BAMI	3,731	\$	12.69	7,000	\$	17.53
131	PA 1" BAMI	27,158	\$	53.71	7,000	\$	23.88
132	PA 1.5" BAMI	27,767	\$	64.61	7,000	\$	33.88
133	PA 2" BAMI	74,826	\$	139.26	7,000	\$	38.88
134	PA 3" BAMI	830,167	\$	1,287.17	7,000	\$	68.88
135	PA 4" BAMI	1,050,083	\$	1,642.64	7,000	\$	98.88
136	PA 6" BAMI	1,740,583	\$	2,774.58	7,000	\$	208.88
137	PF 2"	-	\$	3.00	-	\$	3.00
138	PF 4"	-	\$	6.00	-	\$	6.00
139	PF 6"	-	\$	9.00	-	\$	9.00
140	PF 8"	-	\$	12.00	-	\$	12.00
141	PF 10"	-	\$	15.00	-	\$	15.00
142	PF Hydrant	-	\$	7.64	-	\$	7.64
143	Intentionally left blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
144	Residential 5/8"						
145	RS BCMI 5/8"	\$ 22.92	\$ 2.75	13.62%	\$ 19.92	\$ 2.39	13.63%
146	RS BRMI 5/8"	\$ 20.70	\$ 2.48	13.63%	\$ 19.92	\$ 2.39	13.63%
147	RS BRMO 5/8"	\$ 26.77	\$ 3.21	13.60%	\$ 19.92	\$ 2.39	13.63%
148	Residential MF 5/8"						
149	RS B002 5/8"	\$ 38.31	\$ 4.60	13.64%	\$ 28.08	\$ 3.38	13.68%
150	RS B003 5/8"	\$ 44.94	\$ 5.41	13.67%	\$ 36.24	\$ 4.37	13.71%
151	RS B004 5/8"	\$ 63.27	\$ 7.61	13.67%	\$ 44.40	\$ 5.36	13.73%
152	RS B005 5/8"	\$ 89.52	\$ 10.75	13.65%	\$ 52.56	\$ 6.35	13.74%
153	RS B006 5/8"	\$ 96.23	\$ 11.57	13.66%	\$ 60.72	\$ 7.34	13.75%
154	RS B007 5/8"	\$ 97.30	\$ 11.71	13.69%	\$ 68.88	\$ 8.33	13.76%
155	RS B008 5/8"	\$ 145.78	\$ 17.50	13.64%	\$ 78.72	\$ 9.52	13.76%
156	RS B009 5/8"	\$ 99.90	\$ 12.06	13.73%	\$ 88.56	\$ 10.71	13.76%
157	RS B010 5/8"	\$ 163.50	\$ 19.65	13.66%	\$ 98.40	\$ 11.90	13.76%
158	RS B012 5/8"	\$ 244.96	\$ 29.38	13.63%	\$ 118.08	\$ 14.28	13.76%
159	RS B018 5/8"	\$ 271.20	\$ 32.62	13.67%	\$ 177.12	\$ 21.42	13.76%
160	RS B019 5/8"	\$ 188.36	\$ 22.78	13.76%	\$ 186.96	\$ 22.61	13.76%
161	RS B020 5/8"	\$ 245.43	\$ 29.59	13.71%	\$ 196.80	\$ 23.80	13.76%
162	RS B022 5/8"	\$ 286.41	\$ 34.51	13.70%	\$ 216.48	\$ 26.18	13.76%
163	RS B060 5/8"	\$ 798.30	\$ 96.15	13.69%	\$ 590.40	\$ 71.40	13.76%
164	RS B067 5/8"	\$ 798.30	\$ 96.15	13.69%	\$ 590.40	\$ 71.40	13.76%
165	Residential 3/4"	NOT USED					
166	Residential 1"						
167	RS BCMI 1"	\$ 79.02	\$ 9.44	13.58%	\$ 27.15	\$ 3.27	13.69%
168	RS BIMI 1"	\$ 49.55	\$ 5.94	13.61%	\$ 27.15	\$ 3.27	13.69%
169	Residential MF 1"						
170	RS B002 1"	\$ 41.09	\$ 4.93	13.63%	\$ 28.08	\$ 3.38	13.68%
171	RS B003 1"	\$ 46.27	\$ 5.56	13.67%	\$ 36.24	\$ 4.37	13.71%
172	RS B004 1"	\$ 65.15	\$ 7.83	13.66%	\$ 44.40	\$ 5.36	13.73%
173	RS B006 1"	\$ 112.94	\$ 13.56	13.64%	\$ 60.72	\$ 7.34	13.75%
174	RS B008 1"	\$ 278.08	\$ 33.25	13.58%	\$ 78.72	\$ 9.52	13.76%
175	RS B009 1"	\$ 88.56	\$ 10.71	13.76%	\$ 88.56	\$ 10.71	13.76%
176	RS B010 1"	\$ 160.42	\$ 19.28	13.66%	\$ 98.40	\$ 11.90	13.76%
177	RS B012 1"	\$ 365.04	\$ 43.68	13.59%	\$ 118.08	\$ 14.28	13.76%
178	RS B013 1"	\$ 159.35	\$ 19.21	13.71%	\$ 127.92	\$ 15.47	13.76%
179	RS B014 1"	\$ 236.39	\$ 28.40	13.66%	\$ 137.76	\$ 16.66	13.76%
180	RS B018 1"	\$ 287.86	\$ 34.60	13.66%	\$ 177.12	\$ 21.42	13.76%
181	RS B030 1"	\$ 347.28	\$ 41.90	13.72%	\$ 295.20	\$ 35.70	13.76%
182	Residential 1.5"	NOT USED					
183	Residential MF 1.5"						
184	RS B004 1.5"	\$ 39.36	\$ 4.76	13.76%	\$ 39.36	\$ 4.76	13.76%
185	RS B026 1.5"	\$ 334.52	\$ 40.31	13.70%	\$ 255.84	\$ 30.94	13.76%
186	RS B052 1.5"	\$ 584.13	\$ 70.51	13.73%	\$ 511.68	\$ 61.88	13.76%
187	Residential 2"						
188	RS BCMI 2"	\$ 93.19	\$ 11.17	13.62%	\$ 44.22	\$ 5.34	13.73%
189	RS BRMI 2"	\$ 153.81	\$ 18.39	13.58%	\$ 44.22	\$ 5.34	13.73%
190	Residential MF 2"						
191	RS B004 2"	\$ 59.39	\$ 7.14	13.67%	\$ 44.40	\$ 5.36	13.73%
192	RS B006 2"	\$ 223.40	\$ 26.71	13.58%	\$ 60.72	\$ 7.34	13.75%
193	RS B008 2"	\$ 93.84	\$ 11.32	13.72%	\$ 78.72	\$ 9.52	13.76%
194	RS B009 2"	\$ 170.81	\$ 20.50	13.64%	\$ 88.86	\$ 10.71	13.76%
195	RS B010 2"	\$ 120.94	\$ 14.58	13.71%	\$ 98.40	\$ 11.90	13.76%
196	RS B011 2"	\$ 108.94	\$ 13.17	13.76%	\$ 108.24	\$ 13.09	13.76%
197	RS B012 2"	\$ 155.55	\$ 18.74	13.70%	\$ 118.08	\$ 14.28	13.76%
198	RS B013 2"	\$ 127.92	\$ 15.47	13.76%	\$ 127.92	\$ 15.47	13.76%
199	RS B015 2"	\$ 147.60	\$ 17.85	13.76%	\$ 147.60	\$ 17.85	13.76%
200	RS B016 2"	\$ 290.76	\$ 34.91	13.65%	\$ 157.44	\$ 19.04	13.76%
201	RS B017 2"	\$ 167.28	\$ 20.23	13.76%	\$ 167.28	\$ 20.23	13.76%
202	RS B018 2"	\$ 222.83	\$ 26.86	13.71%	\$ 177.12	\$ 21.42	13.76%
203	RS B020 2"	\$ 256.86	\$ 30.95	13.70%	\$ 196.80	\$ 23.80	13.76%
204	RS B021 2"	\$ 206.64	\$ 24.99	13.76%	\$ 206.64	\$ 24.99	13.76%
205	RS B023 2"	\$ 226.32	\$ 27.37	13.76%	\$ 226.32	\$ 27.37	13.76%
206	RS B024 2"	\$ 345.50	\$ 41.58	13.68%	\$ 236.16	\$ 28.56	13.76%
207	RS B025 2"	\$ 246.00	\$ 29.75	13.76%	\$ 246.00	\$ 29.75	13.76%
208	RS B028 2"	\$ 364.56	\$ 43.92	13.70%	\$ 275.52	\$ 33.32	13.76%
209	RS B030 2"	\$ 363.94	\$ 43.88	13.71%	\$ 295.20	\$ 35.70	13.76%
210	RS B031 2"	\$ 562.36	\$ 67.52	13.65%	\$ 305.04	\$ 36.89	13.76%
211	RS B040 2"	\$ 721.48	\$ 86.63	13.65%	\$ 393.60	\$ 47.60	13.76%
212	RS B041 2"	\$ 801.95	\$ 96.23	13.64%	\$ 403.44	\$ 48.79	13.76%
213	RS B043 2"	\$ 626.87	\$ 75.43	13.68%	\$ 423.12	\$ 51.17	13.76%
214	RS B048 2"	\$ 821.34	\$ 98.67	13.65%	\$ 472.32	\$ 57.12	13.76%
215	RS B052 2"	\$ 673.38	\$ 81.13	13.70%	\$ 511.68	\$ 61.88	13.76%

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

216	RS B057 2"	\$ 745.96	\$ 89.86	13.70%	\$ 560.88	\$ 67.83	13.76%
217	RS B173 2"	\$ 2,471.76	\$ 297.47	13.68%	\$ 1,702.32	\$ 205.87	13.76%
218	RS B174 2"	\$ 1,712.16	\$ 207.06	13.76%	\$ 1,712.16	\$ 207.06	13.76%
219	Residential MF 4"						
220	RS B041 4"	\$ 1,014.26	\$ 121.51	13.61%	\$ 403.44	\$ 48.79	13.76%
221	RS B066 4"	\$ 649.44	\$ 78.54	13.76%	\$ 649.44	\$ 78.54	13.76%
222	Residential MF 6"						
223	RS B174 6"	\$ 1,712.16	\$ 207.06	13.76%	\$ 1,712.16	\$ 207.06	13.76%
224	RS B359 6"	\$ 4,932.56	\$ 593.88	13.69%	\$ 3,532.56	\$ 427.21	13.76%
225	RS B373 6"	\$ 4,898.40	\$ 590.07	13.70%	\$ 3,670.32	\$ 443.87	13.76%
226	RS M695	\$ 9,127.10	\$ 1,099.47	13.70%	\$ 6,838.80	\$ 827.05	13.76%
227	Rio Verde Res 5/8"	\$ 28.60	\$ 3.46	13.74%	\$ 18.77	\$ 2.27	13.76%
228	Rio Verde Res 1"	\$ 29.72	\$ 3.59	13.74%	\$ 20.76	\$ 2.51	13.75%
229	Rio Verde Res 2"	\$ 26.73	\$ 3.23	13.74%	\$ 18.77	\$ 2.27	13.76%
230	Commerical 5/8"						
231	CM BAMI 5/8"	\$ 33.43	\$ 4.00	13.59%	\$ 19.92	\$ 2.39	13.63%
232	CM BCMI 5/8"	\$ 27.84	\$ 3.33	13.60%	\$ 19.92	\$ 2.39	13.63%
233	CM BCMO 5/8"	\$ 337.83	\$ 40.24	13.52%	\$ 19.92	\$ 2.39	13.63%
234	CM BRNI 5/8"	\$ 30.48	\$ 3.65	13.59%	\$ 19.92	\$ 2.39	13.63%
235	CM RCMi 5/8"	\$ 21.60	\$ 2.59	13.62%	\$ 19.92	\$ 2.39	13.63%
236	Comm MU 5/8"						
237	CM B002 5/8"	\$ 31.65	\$ 3.81	13.66%	\$ 28.08	\$ 3.38	13.68%
238	CM B003 5/8"	\$ 70.26	\$ 8.42	13.62%	\$ 36.24	\$ 4.37	13.71%
239	CM B004 5/8"	\$ 54.48	\$ 6.56	13.69%	\$ 44.40	\$ 5.36	13.73%
240	CM B005 5/8"	\$ 70.06	\$ 8.43	13.68%	\$ 52.56	\$ 6.35	13.74%
241	CM B006 5/8"	\$ 74.02	\$ 8.92	13.71%	\$ 60.72	\$ 7.34	13.75%
242	CM B007 5/8"	\$ 104.58	\$ 12.58	13.67%	\$ 68.88	\$ 8.33	13.76%
243	CM B010 5/8"	\$ 98.40	\$ 11.90	13.76%	\$ 98.40	\$ 11.90	13.76%
244	CM B017 5/8"	\$ 752.76	\$ 89.93	13.57%	\$ 167.28	\$ 20.23	13.76%
245	Commerical 3/4"						
246	Commerical 1"						
247	CM BCMI 1"	\$ 64.88	\$ 7.76	13.59%	\$ 27.15	\$ 3.27	13.69%
248	CM BCMO 1"	\$ 39.53	\$ 4.74	13.64%	\$ 27.15	\$ 3.27	13.69%
249	CM RCMi 1"	\$ 48.99	\$ 5.87	13.61%	\$ 27.15	\$ 3.27	13.69%
250	CM BCTX 1"	\$ 17.07	\$ 2.07	13.80%	\$ 17.07	\$ 2.07	13.80%
251	Comm MU 1"						
252	CM B003 1"	\$ 61.72	\$ 7.40	13.63%	\$ 36.24	\$ 4.37	13.71%
253	CM B004 1"	\$ 51.41	\$ 6.19	13.70%	\$ 44.40	\$ 5.36	13.73%
254	CM B005 1"	\$ 52.84	\$ 6.38	13.74%	\$ 52.56	\$ 6.35	13.74%
255	CM B006 1"	\$ 65.62	\$ 7.92	13.73%	\$ 60.72	\$ 7.34	13.75%
256	Commerical 1.5"						
257	CM BCMI 1.5"	\$ 170.15	\$ 20.32	13.56%	\$ 38.53	\$ 4.65	13.72%
258	Comm MU 1.5"						
259	CM B005 1.5"	\$ 247.86	\$ 29.60	13.56%	\$ 52.56	\$ 6.35	13.74%
260	Commerical 2"						
261	CM BAMI 2"	\$ 99.45	\$ 11.92	13.61%	\$ 44.22	\$ 5.34	13.73%
262	CM BCMI 2"	\$ 212.24	\$ 25.34	13.56%	\$ 44.22	\$ 5.34	13.73%
263	BCMO 2"	\$ 138.13	\$ 16.52	13.58%	\$ 44.22	\$ 5.34	13.73%
264	CM BCTX 2"	\$ 157.11	\$ 18.78	13.58%	\$ 44.22	\$ 5.34	13.73%
265	Comm MU 2"						
266	CM B004 2"	\$ 230.88	\$ 27.56	13.55%	\$ 44.40	\$ 5.36	13.73%
267	CM B006 2"	\$ 75.28	\$ 9.07	13.70%	\$ 60.72	\$ 7.34	13.75%
268	CM B012 2"	\$ 543.26	\$ 64.90	13.57%	\$ 118.08	\$ 14.28	13.76%
269	CM B014 2"	\$ 422.80	\$ 50.59	13.59%	\$ 137.76	\$ 16.66	13.76%
270	CM B044 2"	\$ 432.96	\$ 52.36	13.76%	\$ 432.96	\$ 52.36	13.76%
271	Commerical 3"						
272	CM BCMI 3"	\$ 323.82	\$ 38.70	13.57%	\$ 78.36	\$ 9.48	13.76%
273	PA 5/8" BAMI	\$ 14.43	\$ 1.74	13.68%	\$ 19.92	\$ 2.39	13.63%
274	PA 1" BAMI	\$ 61.02	\$ 7.30	13.59%	\$ 27.15	\$ 3.27	13.69%
275	PA 1.5" BAMI	\$ 73.42	\$ 8.80	13.62%	\$ 38.53	\$ 4.65	13.72%
276	PA 2" BAMI	\$ 158.17	\$ 18.91	13.58%	\$ 44.22	\$ 5.34	13.73%
277	PA 3" BAMI	\$ 1,461.28	\$ 174.11	13.53%	\$ 78.36	\$ 9.48	13.76%
278	PA 4" BAMI	\$ 1,864.88	\$ 222.24	13.53%	\$ 112.50	\$ 13.62	13.77%
279	PA 6" BAMI	\$ 3,150.10	\$ 375.52	13.53%	\$ 237.68	\$ 28.80	13.79%
280	PF 2"	\$ 3.41	\$ 0.41	13.67%	\$ 3.41	\$ 0.41	13.67%
281	PF 4"	\$ 6.83	\$ 0.83	13.83%	\$ 6.83	\$ 0.83	13.83%
282	PF 6"	\$ 10.24	\$ 1.24	13.78%	\$ 10.24	\$ 1.24	13.78%
283	PF 8"	\$ 13.66	\$ 1.66	13.83%	\$ 13.66	\$ 1.66	13.83%
284	PF 10"	\$ 17.07	\$ 2.07	13.80%	\$ 17.07	\$ 2.07	13.80%
285	PF Hydrant	\$ 8.69	\$ 1.05	13.74%	\$ 8.69	\$ 1.05	13.74%
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TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
287	Residential 5/8"						
288	RS BCMI 5/8"	\$ 16.40	\$ (3.78)	-18.74%	\$ 15.43	\$ (2.10)	-11.98%
289	RS BRMI 5/8"	\$ 14.77	\$ (3.45)	-18.92%	\$ 14.20	\$ (3.33)	-19.00%
290	RS BRMO 5/8"	\$ 19.21	\$ (4.35)	-18.45%	\$ 14.20	\$ (3.33)	-19.00%
291	Residential MF 5/8"						
292	RS B002 5/8"	\$ 28.96	\$ (4.75)	-14.09%	\$ 26.39	\$ 1.69	6.84%
293	RS B003 5/8"	\$ 35.11	\$ (4.42)	-11.18%	\$ 32.43	\$ 0.56	1.76%
294	RS B004 5/8"	\$ 49.82	\$ (5.84)	-10.48%	\$ 44.62	\$ 5.58	14.29%
295	RS B005 5/8"	\$ 70.34	\$ (8.43)	-10.70%	\$ 72.80	\$ 26.59	57.54%
296	RS B006 5/8"	\$ 76.55	\$ (8.12)	-9.59%	\$ 72.69	\$ 19.31	36.17%
297	RS B007 5/8"	\$ 78.63	\$ (6.96)	-8.13%	\$ 76.27	\$ 15.72	25.96%
298	RS B008 5/8"	\$ 115.42	\$ (12.86)	-10.03%	\$ 105.68	\$ 36.48	52.72%
299	RS B009 5/8"	\$ 83.12	\$ (4.72)	-5.37%	\$ 65.43	\$ (12.42)	-15.95%
300	RS B010 5/8"	\$ 130.98	\$ (12.87)	-8.95%	\$ 118.99	\$ 32.49	37.56%
301	RS B012 5/8"	\$ 193.21	\$ (22.37)	-10.37%	\$ 87.24	\$ (16.56)	-15.95%
302	RS B018 5/8"	\$ 220.20	\$ (18.38)	-7.70%	\$ 178.38	\$ 22.68	14.57%
303	RS B019 5/8"	\$ 160.84	\$ (4.74)	-2.86%	\$ 157.36	\$ (6.99)	-4.25%
304	RS B020 5/8"	\$ 203.92	\$ (11.92)	-5.52%	\$ 200.30	\$ 27.30	15.78%
305	RS B022 5/8"	\$ 236.52	\$ (15.39)	-6.11%	\$ 205.00	\$ 14.70	7.72%
306	RS B060 5/8"	\$ 680.63	\$ (21.52)	-3.06%	\$ 680.63	\$ 161.63	31.14%
307	RS B067 5/8"	\$ 984.06	\$ (22.54)	-2.24%	\$ 1,953.46	\$ 1,373.91	237.06%
308	Residential 3/4"						
309	Residential 1"						
310	RS BCMI 1"	\$ 57.52	\$ (12.06)	-17.34%	\$ 36.76	\$ 12.88	53.94%
311	RS BIMI 1"	\$ 35.94	\$ (7.67)	-17.59%	\$ 22.00	\$ (1.88)	-7.87%
312	Residential MF 1"						
313	RS B002 1"	\$ 30.99	\$ (5.17)	-14.29%	\$ 28.85	\$ 4.15	16.80%
314	RS B003 1"	\$ 35.86	\$ (4.85)	-11.91%	\$ 37.35	\$ 5.48	17.19%
315	RS B004 1"	\$ 51.20	\$ (6.12)	-10.68%	\$ 45.85	\$ 6.81	17.44%
316	RS B006 1"	\$ 88.78	\$ (10.60)	-10.66%	\$ 76.38	\$ 23.00	43.09%
317	RS B008 1"	\$ 218.68	\$ (26.15)	-10.68%	\$ 201.53	\$ 132.33	191.23%
318	RS B009 1"	\$ 72.15	\$ (5.70)	-7.32%	\$ 73.59	\$ (4.26)	-5.47%
319	RS B010 1"	\$ 128.73	\$ (12.41)	-8.79%	\$ 126.37	\$ 39.87	46.09%
320	RS B012 1"	\$ 281.13	\$ (40.23)	-12.52%	\$ 283.53	\$ 179.73	173.15%
321	RS B013 1"	\$ 131.83	\$ (8.31)	-5.93%	\$ 132.19	\$ 19.74	17.55%
322	RS B014 1"	\$ 189.53	\$ (18.46)	-8.88%	\$ 181.28	\$ 60.18	49.69%
323	RS B018 1"	\$ 232.40	\$ (20.86)	-8.24%	\$ 209.13	\$ 53.43	34.32%
324	RS B030 1"	\$ 291.45	\$ (13.93)	-4.56%	\$ 259.47	\$ (0.03)	-0.01%
325	Residential 1.5"						
326	Residential MF 1.5"						
327	RS B004 1.5"	\$ 29.08	\$ (5.52)	-15.95%	\$ 29.08	\$ (5.52)	-15.95%
328	RS B026 1.5"	\$ 276.92	\$ (17.29)	-5.88%	\$ 279.59	\$ 54.69	24.32%
329	RS B052 1.5"	\$ 493.36	\$ (20.27)	-3.95%	\$ 472.30	\$ 22.50	5.00%
330	Residential 2"						
331	RS BCMI 2"	\$ 68.00	\$ (14.02)	-17.10%	\$ 44.44	\$ 5.56	14.30%
332	RS BRMI 2"	\$ 112.37	\$ (23.05)	-17.02%	\$ 82.57	\$ 43.69	112.37%
333	Residential MF 2"						
334	RS B004 2"	\$ 46.99	\$ (5.26)	-10.07%	\$ 42.16	\$ 3.12	7.99%
335	RS B006 2"	\$ 170.57	\$ (26.12)	-13.28%	\$ 161.25	\$ 107.87	202.08%
336	RS B008 2"	\$ 77.39	\$ (5.13)	-6.22%	\$ 67.55	\$ (1.65)	-2.38%
337	RS B009 2"	\$ 135.04	\$ (15.27)	-10.16%	\$ 119.10	\$ 41.25	52.99%
338	RS B010 2"	\$ 99.82	\$ (6.54)	-6.15%	\$ 99.31	\$ 12.81	14.81%
339	RS B011 2"	\$ 92.33	\$ (3.44)	-3.59%	\$ 91.82	\$ (3.33)	-3.50%
340	RS B012 2"	\$ 127.75	\$ (9.06)	-6.62%	\$ 126.15	\$ 22.35	21.53%
341	RS B013 2"	\$ 104.31	\$ (8.14)	-7.24%	\$ 100.21	\$ (12.24)	-10.88%
342	RS B015 2"	\$ 117.21	\$ (12.54)	-9.66%	\$ 109.05	\$ (20.70)	-15.95%
343	RS B016 2"	\$ 231.93	\$ (23.92)	-9.35%	\$ 181.06	\$ 42.66	30.82%
344	RS B017 2"	\$ 129.39	\$ (17.66)	-12.01%	\$ 123.59	\$ (23.46)	-15.95%
345	RS B018 2"	\$ 184.79	\$ (11.18)	-5.71%	\$ 175.92	\$ 20.22	12.99%
346	RS B020 2"	\$ 212.29	\$ (13.62)	-6.03%	\$ 196.61	\$ 23.61	13.65%
347	RS B021 2"	\$ 165.72	\$ (15.93)	-8.77%	\$ 152.67	\$ (28.98)	-15.95%
348	RS B023 2"	\$ 184.19	\$ (14.76)	-7.42%	\$ 167.21	\$ (31.74)	-15.95%
349	RS B024 2"	\$ 282.37	\$ (21.55)	-7.09%	\$ 297.27	\$ 89.67	43.19%
350	RS B025 2"	\$ 210.51	\$ (5.74)	-2.65%	\$ 205.90	\$ (10.35)	-4.79%
351	RS B028 2"	\$ 301.51	\$ (19.13)	-5.97%	\$ 292.90	\$ 50.70	20.93%
352	RS B030 2"	\$ 303.65	\$ (16.41)	-5.13%	\$ 286.53	\$ 27.03	10.42%
353	RS B031 2"	\$ 470.42	\$ (24.42)	-4.94%	\$ 405.49	\$ 137.34	51.22%
354	RS B040 2"	\$ 610.82	\$ (24.03)	-3.79%	\$ 476.80	\$ 130.80	37.80%
355	RS B041 2"	\$ 681.36	\$ (24.36)	-3.45%	\$ 644.30	\$ 289.65	81.67%
356	RS B043 2"	\$ 528.42	\$ (23.02)	-4.17%	\$ 523.60	\$ 151.65	40.77%
357	RS B048 2"	\$ 699.23	\$ (23.44)	-3.24%	\$ 699.60	\$ 284.40	68.50%
358	RS B052 2"	\$ 570.29	\$ (21.96)	-3.71%	\$ 528.76	\$ 78.96	17.55%
359	RS B057 2"	\$ 634.45	\$ (21.65)	-3.30%	\$ 684.18	\$ 191.13	38.76%

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

360	RS B173 2"	\$ 2,159.60	\$ (14.69)	-0.68%	\$ 1,955.27	\$ 458.82	30.66%
361	RS B174 2"	\$ 1,284.70	\$ (220.40)	-14.64%	\$ 1,264.98	\$ (240.12)	-15.95%
362	Residential MF 4"						
363	RS B041 4"	\$ 867.13	\$ (25.62)	-2.87%	\$ 719.27	\$ 364.62	102.81%
364	RS B066 4"	\$ 513.30	\$ (57.60)	-10.09%	\$ 507.66	\$ (63.24)	-11.08%
365	Residential MF 6"						
366	RS B174 6"	\$ 1,371.05	\$ (134.05)	-8.91%	\$ 1,425.99	\$ (79.11)	-5.26%
367	RS B359 6"	\$ 4,336.98	\$ (1.70)	-0.04%	\$ 4,408.52	\$ 1,303.17	41.97%
368	RS B373 6"	\$ 4,308.91	\$ 0.58	0.01%	\$ 4,288.33	\$ 1,061.88	32.91%
369	RS M695	\$ 8,050.88	\$ 23.25	0.29%	\$ 7,520.09	\$ 1,508.34	25.09%
370	Rio Verde Res 5/8"	\$ 19.52	\$ (5.63)	-22.39%	\$ 15.90	\$ (0.60)	-3.64%
371	Rio Verde Res 1"	\$ 20.21	\$ (5.92)	-22.67%	\$ 18.36	\$ 0.11	0.60%
372	Rio Verde Res 2"	\$ 18.36	\$ (5.14)	-21.87%	\$ 22.05	\$ 5.55	33.64%
373	Commercial 5/8"						
374	CM BAMI 5/8"	\$ 24.09	\$ (5.34)	-18.14%	\$ 21.58	\$ 4.05	23.10%
375	CM BCMI 5/8"	\$ 20.00	\$ (4.51)	-18.41%	\$ 10.51	\$ (7.02)	-40.05%
376	CM BCMO 5/8"	\$ 270.05	\$ (27.54)	-9.26%	\$ 8.89	\$ (8.64)	-49.29%
377	CM BRNI 5/8"	\$ 21.93	\$ (4.90)	-18.26%	\$ 16.66	\$ (0.87)	-4.96%
378	CM RCMi 5/8"	\$ 15.43	\$ (3.58)	-18.83%	\$ 15.43	\$ (2.10)	-11.98%
379	Comm MU 5/8"						
380	CM B002 5/8"	\$ 24.08	\$ (3.77)	-13.52%	\$ 14.54	\$ (10.16)	-41.13%
381	CM B003 5/8"	\$ 53.65	\$ (8.19)	-13.25%	\$ 43.50	\$ 11.63	36.49%
382	CM B004 5/8"	\$ 43.39	\$ (4.53)	-9.45%	\$ 40.93	\$ 1.89	4.84%
383	CM B005 5/8"	\$ 56.09	\$ (5.54)	-8.98%	\$ 56.81	\$ 10.60	22.94%
384	CM B006 5/8"	\$ 60.29	\$ (4.81)	-7.39%	\$ 50.55	\$ (2.83)	-5.30%
385	CM B007 5/8"	\$ 83.96	\$ (8.04)	-8.74%	\$ 78.73	\$ 18.18	30.02%
386	CM B010 5/8"	\$ 81.48	\$ (5.02)	-5.81%	\$ 80.86	\$ (5.64)	-6.52%
387	CM B017 5/8"	\$ 635.19	\$ (27.64)	-4.17%	\$ 644.75	\$ 497.70	338.46%
388	Commercial 3/4"						
389	Commercial 1"						
390	CM BCMI 1"	\$ 47.16	\$ (9.96)	-17.44%	\$ 29.37	\$ 5.49	22.99%
391	CM BCMO 1"	\$ 28.59	\$ (6.20)	-17.81%	\$ 15.03	\$ (8.85)	-37.06%
392	CM RCMi 1"	\$ 35.52	\$ (7.60)	-17.63%	\$ 35.52	\$ 11.64	48.74%
393	CM BCTX 1"	\$ 12.60	\$ (2.40)	-16.00%	\$ 12.60	\$ (2.40)	-16.00%
394	Comm MU 1"						
395	CM B003 1"	\$ 47.40	\$ (6.92)	-12.75%	\$ 44.73	\$ 12.86	40.35%
396	CM B004 1"	\$ 41.14	\$ (4.08)	-9.01%	\$ 38.47	\$ (0.57)	-1.46%
397	CM B005 1"	\$ 43.49	\$ (2.97)	-6.40%	\$ 38.78	\$ (7.43)	-16.08%
398	CM B006 1"	\$ 54.14	\$ (3.56)	-6.17%	\$ 49.32	\$ (4.06)	-7.61%
399	Commercial 1.5"						
400	CM BCMI 1.5"	\$ 124.29	\$ (25.54)	-17.04%	\$ 67.29	\$ 33.41	98.61%
401	Comm MU 1.5"						
402	CM B005 1.5"	\$ 191.85	\$ (26.41)	-12.10%	\$ 170.90	\$ 124.69	269.83%
403	Commercial 2"						
404	CM BAMI 2"	\$ 72.58	\$ (14.96)	-17.09%	\$ 66.58	\$ 27.70	71.24%
405	CM BCMI 2"	\$ 156.83	\$ (30.06)	-16.08%	\$ 80.11	\$ 41.23	106.04%
406	CM BCMO 2"	\$ 100.90	\$ (20.71)	-17.03%	\$ 49.36	\$ 10.48	26.95%
407	CM BCTX 2"	\$ 114.79	\$ (23.54)	-17.02%	\$ 98.56	\$ 59.68	153.50%
408	Comm MU 2"						
409	CM B004 2"	\$ 176.86	\$ (26.46)	-13.01%	\$ 176.86	\$ 137.82	353.02%
410	CM B006 2"	\$ 61.21	\$ (5.00)	-7.55%	\$ 50.55	\$ (2.83)	-5.30%
411	CM B012 2"	\$ 451.23	\$ (27.13)	-5.67%	\$ 429.06	\$ 325.26	313.35%
412	CM B014 2"	\$ 346.09	\$ (26.12)	-7.02%	\$ 346.09	\$ 224.99	185.79%
413	CM B044 2"	\$ 324.04	\$ (56.56)	-14.86%	\$ 322.31	\$ (58.29)	-15.32%
414	Commercial 3"						
415	CM BCMI 3"	\$ 249.81	\$ (35.31)	-12.38%	\$ 56.12	\$ (12.76)	-18.52%
416	PA 5/8" BAMI	\$ 11.93	\$ (0.76)	-5.96%	\$ 7.27	\$ (10.26)	-58.53%
417	PA 1" BAMI	\$ 46.55	\$ (7.16)	-13.34%	\$ 43.85	\$ 19.97	83.62%
418	PA 1.5" BAMI	\$ 55.72	\$ (8.89)	-13.76%	\$ 43.51	\$ 9.63	28.42%
419	PA 2" BAMI	\$ 118.74	\$ (20.52)	-14.74%	\$ 41.46	\$ 2.58	6.63%
420	PA 3" BAMI	\$ 1,088.09	\$ (199.08)	-15.47%	\$ 996.63	\$ 927.75	1346.91%
421	PA 4" BAMI	\$ 1,388.18	\$ (254.46)	-15.49%	\$ 1,370.58	\$ 1,271.70	1286.10%
422	PA 6" BAMI	\$ 2,343.71	\$ (430.87)	-15.53%	\$ 2,891.71	\$ 2,682.83	1284.39%
423	PF 2"	\$ 2.52	\$ (0.48)	-16.00%	\$ 2.52	\$ (0.48)	-16.00%
424	PF 4"	\$ 5.04	\$ (0.96)	-16.00%	\$ 5.04	\$ (0.96)	-16.00%
425	PF 6"	\$ 7.56	\$ (1.44)	-16.00%	\$ 7.56	\$ (1.44)	-16.00%
426	PF 8"	\$ 10.08	\$ (1.92)	-16.00%	\$ 10.08	\$ (1.92)	-16.00%
427	PF 10"	\$ 12.60	\$ (2.40)	-16.00%	\$ 12.60	\$ (2.40)	-16.00%
428	PF Hydrant	\$ 6.42	\$ (1.22)	-15.97%	\$ 6.42	\$ (1.22)	-15.97%
429	Intentionally left blank						

Note: Company's Schedule H-4 indicates a 7,000 gallon median for all classes which does not produce meaningful comparisons.

Docket No. WS-01303A-02-0867 et al.

Test Year Ended December 31, 2001

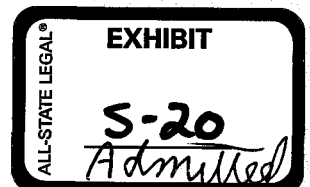
## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 1,369,043	\$ 822,117	\$ 822,117
2	Adjusted Operating Income/(Loss)	\$ (16,321)	\$ 73,251	\$ 73,251
3	Current Rate of Return (L2 / L1)	-1.19%	8.91%	8.91%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 106,101	\$ 54,095	\$ 54,095
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 122,422	\$ (19,156)	\$ (19,156)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 199,376	<b>\$ (31,197)</b>	<b>\$ (31,197)</b>
9	Adjusted Test Year Revenue	\$ 440,924	\$ 440,924	\$ 440,924
10	Proposed Annual Revenue (L8 + L9)	\$ 640,300	\$ 409,727	\$ 409,727
11	Required Increase/Decrease in Revenue (%)	45.22%	-7.08%	-7.08%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 54,095			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 73,251			
20	Required Increase in Operating Income (L18 - L19)		\$ (19,156)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 19,432			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 31,474			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (12,042)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 409,727			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (31,197)		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 440,924			
31	Operating Expenses Excluding Income Taxes	\$ 336,199	\$ -		
32	Synchronized Interest (L43)	\$ 23,184			
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 81,541			
34	Arizona State Income Tax Rate	6.9680%			
35	Arizona Income Tax (L33 x L34)	\$ 5,682		\$ 3,508	
36	Federal Taxable Income (L33 - L35)	\$ 75,859		\$ 46,836	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ 25,792		\$ 15,924	
39	Combined Federal and State Income Tax (L35 + L38)	\$ 31,474		\$ 19,432	
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 822,117			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 23,184			

**RATE BASE - ORIGINAL COST**

LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 2,165,406	\$ (95,241) A	\$ 2,070,165
2	Less: Accumulated Depreciation	555,531	(18,120) B	537,411
3	Net Plant in Service	<u>\$ 1,609,875</u>	<u>\$ (77,121)</u>	<u>\$ 1,532,754</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	280,867	-	280,867
7	Advances in Aid of Construction (AIAC)	418,704	-	418,704
8	Customer Deposits	-	-	-
9	Meter Advances	11,066	-	11,066
10	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
11	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Citizens Acquisition Adjustment	523,302	(523,302) C	-
17	Original Cost Rate Base	<u>\$ 1,422,540</u>	<u>\$ (600,423)</u>	<u>\$ 822,117</u>

Adjustments:

- A. Per plant adjustments on Schedule DWC-4
- B. Per accumulated depreciation adjustments on Schedule DWC-4
- C. Per acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

SUMI ORIGINAL COST RATE BASE ADJUSTMENTS

NE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>											
1		<u>Intangible</u>			Leave Blank	Leave Blank	Leave Blank		Leave Blank		
2	301.00	Organization	\$ 10,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,144
3	302.00	Franchises	-	-	-	-	-	-	-	-	-
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	10,144	-	-	-	-	-	-	-	10,144
6											
7		<u>Source of Supply</u>									
8	310.00	Land & Land Rights	12,245	(5,746)	-	-	-	1,272	-	-	7,771
9	311.00	Structures & Improvements	53,877	(401)	-	-	-	10,287	-	-	63,763
10	312.00	Collecting & Impounding Reservoirs	148,253	-	-	-	-	-	-	-	148,253
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	107,017	(70,928)	-	-	-	-	-	-	36,089
13		Subtotal Source of Supply	321,392	(77,075)	-	-	-	11,559	-	-	255,876
14											
15		<u>Pumping</u>									
16	320.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
17	321.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
18	323.00	Other Power Production	22,738	-	-	-	-	-	-	-	22,738
19	325.00	Electric Pumping Equipment	254,974	(244)	-	-	-	-	-	-	254,730
20	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
21	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-	-
22		Subtotal Pumping	277,712	(244)	-	-	-	-	-	-	277,468
23											
24		<u>Water Treatment</u>									
25	330.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
26	331.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
27	332.00	Water Treatment Equipment	25,315	-	-	-	-	-	-	-	25,315
28		Subtotal Water Treatment	25,315	-	-	-	-	-	-	-	25,315
29											
30		<u>Transmission &amp; Distribution</u>									
31	340.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
32	341.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
33	342.00	Distribution Reservoirs & Standpipes	270,085	-	-	-	-	(44,214)	-	-	225,871
34	343.00	Transmission & Distribution	752,886	-	-	-	-	21,141	-	-	774,027
35	344.00	Fire Mains	-	-	-	-	-	-	-	-	-
36	345.00	Services	182,275	-	-	-	-	-	-	-	182,275
37	346.00	Meters	176,386	-	-	-	-	-	-	-	176,386
38	348.00	Hydrants	-	-	-	-	-	-	-	-	-
39	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
40		Subtotal Transmission & Distribu.	1,381,632	-	-	-	-	(23,073)	-	-	1,358,559
41											
42		<u>General - Allocated Common Plant</u>									
43	389.00	Land & Land Rights	25	-	-	-	-	-	-	-	25
44	390.00	Structures & Improvements	10,577	-	-	-	-	-	-	-	10,577
45	391.00	Office Furniture and Equipment	31,793	-	-	-	-	(9,348)	-	-	22,445
46	391.10	Computer Equipment	33,449	-	-	-	-	-	-	-	33,449
47	392.00	Transportation Equipment	45,234	-	-	-	-	-	-	-	45,234
48	393.00	Stores Equipment	247	-	-	-	-	-	-	-	247
49	394.00	Tools, Shop, & Garage Equipment	10,104	-	-	-	-	-	-	-	10,104
50	395.00	Laboratory Equipment	627	-	-	-	-	-	-	-	627
51	396.00	Power Operated Equipment	8,744	-	-	-	-	2,940	-	-	11,684
52	397.00	Communication Equipment	7,477	-	-	-	-	-	-	-	7,477
53	398.00	Miscellaneous Equipment	934	-	-	-	-	-	-	-	934
54		Subtotal General	149,211	-	-	-	-	(6,408)	-	-	142,803
55											
56	Add:										
57											
58	Less:										
59											
60											
61	Total Plant in Service		\$ 2,165,406	\$ (77,319)	\$ -	\$ -	\$ -	\$ (17,922)	\$ -	\$ -	\$ 2,070,165
62	Less: Accumulated Depreciation		555,531	18,120	-	-	-	-	-	-	537,411
63	Net Plant in Service (L59 - L 60)		\$ 1,609,875	\$ (59,199)	\$ -	\$ -	\$ -	\$ (17,922)	\$ -	\$ -	\$ 1,532,754
64											
65	LESS:										
66	Contributions in Aid of Construction (CIAC)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization		-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)		280,867	-	-	-	-	-	-	-	280,867
69	Advances in Aid of Construction (AIAC)		418,704	-	-	-	-	-	-	-	418,704
70	Customer Deposits		-	-	-	-	-	-	-	-	-
71	Meter Advances		11,066	-	-	-	-	-	-	-	11,066
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
73											
74	ADD:										
75	Cash Working Capital Allowance		-	-	-	-	-	-	-	-	-
76	Prepayments		-	-	-	-	-	-	-	-	-
77	Supplies Inventory		-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
79	Deferred Debits		-	-	-	-	-	-	-	-	-
80	Citizens Acquisition Adjustment		523,302	-	-	-	-	-	-	(523,302)	-
81	Original Cost Rate Base		\$ 1,422,540	\$ (59,199)	\$ -	\$ -	\$ -	\$ (17,922)	\$ -	\$ (523,302)	\$ 622,117

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports
2	Plant - unidentified Per Staff Engineering Reports
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision Per Decision No. 60172
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

**OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED**

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 430,392	\$ -	\$ 430,392	\$ (31,197)	\$ 399,195
3	Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	10,532	-	10,532	-	10,532
5	Total Operating Revenues	\$ 440,924	\$ -	\$ 440,924	\$ (31,197)	\$ 409,727
6	<u>OPERATING EXPENSES:</u>					
7	Salaries & Wages	\$ 171,419	(111,573)	\$ 59,846	\$ -	\$ 59,846
8	Purchased Water	806	-	806	-	806
9	Purchased Pumping Power	47,018	120	47,138	-	47,138
10	Chemicals	1,266	(2,365)	(1,099)	-	(1,099)
11	Repairs & Maintenance	75,805	-	75,805	-	75,805
12	Office Supplies & Expense	21,243	(11,350)	9,893	-	9,893
13	Outside Services	2,462	11,247	13,709	-	13,709
14	Service Company Charges	75,244	(75,244)	-	-	-
15	Water Testing	-	-	-	-	-
16	Rents	1,837	-	1,837	-	1,837
17	Transportation Expense	-	-	-	-	-
18	Insurance - General Liability	2,365	4,514	6,879	-	6,879
19	Insurance - Health and Life	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	2,910	-	2,910	-	2,910
21	Miscellaneous Operating Expense	1,977	45,525	47,502	-	47,502
22	Depreciation Expense	46,650	(8,203)	38,447	-	38,447
23	Taxes Other Than Income	9,712	(1,763)	7,949	-	7,949
24	Property Taxes	28,682	(4,104)	24,578	-	24,578
25	Income Tax	(32,151)	63,625	31,474	(12,042)	19,432
26						
27	Total Operating Expenses	\$ 457,245	\$ (89,572)	\$ 367,673	\$ (12,042)	\$ 355,631
28	Operating Income (Loss)	\$ (16,321)	\$ 89,572	\$ 73,251	\$ (19,155)	\$ 54,096

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule AII-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) STAFF ADJUSTED
1	REVENUES:										
2	Metered Water Sales	\$ 430,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,392
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	10,532	-	-	-	-	-	-	-	-	10,532.0
5	Total Operating Revenues	\$ 440,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,924
6	OPERATING EXPENSES:										
7	Salaries & Wages	\$ 171,419	\$ -	\$ -	\$ (54,078)	\$ 59,846	\$ (117,341)	\$ -	\$ -	\$ -	\$ 59,846
8	Purchased Water	806	-	-	-	-	-	-	-	-	806
9	Purchased Pumping Power	47,018	120	-	-	-	-	-	-	-	47,138
10	Chemicals	1,266	-	-	(2,365)	-	-	-	-	-	(1,099)
11	Repairs & Maintenance	75,805	-	-	-	-	-	-	-	-	75,805
12	Office Supplies & Expense	21,243	2,045	-	(13,395)	-	-	-	-	-	9,893
13	Outside Services	2,462	11,247	-	-	-	-	-	-	-	13,709
14	Service Company Charges	75,244	-	(75,244)	-	-	-	-	-	-	-
15	Water Testing	-	-	-	-	-	-	-	-	-	-
16	Rents	1,837	-	-	-	-	-	-	-	-	1,837
17	Transportation Expense	-	-	-	-	-	-	-	-	-	-
18	Insurance - General Liability	2,365	4,514	-	-	-	-	-	-	-	6,879
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	2,910	-	-	-	-	-	-	-	-	2,910
21	Miscellaneous Operating Expense	1,977	48,568	-	(1,043)	-	-	-	-	-	47,502
22	Depreciation Expense	46,650	-	-	-	-	-	(8,203)	-	-	38,447
23	Taxes Other Than Income	9,712	-	-	-	-	(9,712)	-	-	-	7,949
24	Property Taxes	28,682	-	-	-	-	-	-	(4,104)	-	24,578
25	Income Tax	(32,151)	-	-	-	-	-	-	-	63,625	31,474
26											
27	Total Operating Expenses	\$ 457,245	\$ 64,494	\$ (75,244)	\$ (70,882)	\$ 67,795	\$ (127,053)	\$ (8,203)	\$ (4,104)	\$ 63,625	\$ 367,673
28	Operating Income (Loss)	\$ (16,321)	\$ (64,494)	\$ 75,244	\$ 70,882	\$ (67,795)	\$ 127,053	\$ 8,203	\$ 4,104	\$ (63,625)	\$ 73,251

ADJ #	References:
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes
	Schedule All-3
	Schedule All-4
	Schedule All-5
	Schedule All-6
	Schedule All-7
	Schedule All-8
	Schedule All-9
	Schedule All-10

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (120)	1b	\$ 120
3	Chemicals	\$ -	1c	\$ -
4	Repairs & Maintenance	\$ -	1d	\$ -
5	Office Supplies	\$ (2,045)	1e	\$ 2,045
6	Outside Services	\$ (11,247)	1f	\$ 11,247
7	Rents	\$ -	1g	\$ -
8	Insurance Expense	\$ (4,514)	1h	\$ 4,514
9	Miscellaneous Expense	\$ (46,568)	1i	\$ 46,568
10	Total Adjustments	<u>\$ (64,494)</u>		<u>\$ 64,494</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 11  
Stephenson, Direct, pages 14, 15, and 16

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 75,244	\$ (75,244)
2	Total Adjustments	\$ 75,244	\$ (75,244)

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 11 and 12  
Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 54,078	3a	\$ (54,078)
2	Office Expense	\$ 13,395	3b	\$ (13,395)
3	Chemicals	\$ 2,365	3c	\$ (2,365)
4	Miscellaneous	\$ 1,043	3d	\$ (1,043)
5	Total Adjustment	<u>\$ 70,882</u>		<u>\$ (70,882)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 14 and 15  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ (59,846)	4a	\$ 59,846
2	Payroll Taxes	\$ (7,949)	4b	\$ 7,949
3	Total Adjustments	<u>\$ (67,795)</u>		<u>\$ 67,795</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 11

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE		[A]		[B]
NO.	DESCRIPTION	COMPANY	ADJUSTMENT	STAFF
		AS FILED	LABEL	ADJUSTMENT
1	Salaries & Wages	\$ 117,341	5a	\$ (117,341)
2	Payroll Taxes	\$ 9,712	5b	\$ (9,712)
3	Total Adjustments	<u>\$ 127,053</u>		<u>\$ (127,053)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, page 12  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
4				
5	<u>Intangible</u>			
6	Organization	\$ 10,144	0.00%	\$ -
7	Franchises	\$ -	0.00%	\$ -
8	Miscellaneous Intangibles	\$ -	0.00%	\$ -
9	Subtotal Intangible	<u>\$ 10,144</u>		<u>\$ -</u>
10				
11	<u>Source of Supply</u>			
12	Land and Land Rights	\$ 7,771	0.00%	\$ -
13	Structures and Improvements	\$ 63,763	2.79%	\$ 714
14	Collecting and Impounding Res.	\$ 148,253	2.54%	\$ 3,766
15	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
16	Wells and Springs	\$ 36,089	2.54%	\$ 2,718
17	Subtotal Source of Supply	<u>\$ 255,876</u>		<u>\$ 7,197</u>
18				
19	<u>Pumping</u>			
20	Land and Land Rights	\$ -	0.00%	\$ -
21	Structures and Improvements	\$ -	0.00%	\$ -
22	Other Power Production	\$ 22,738	5.12%	\$ 1,164
23	Electric Pumping Equipment	\$ 254,730	3.71%	\$ 9,460
24	Diesel Pumping Equipment	\$ -	0.00%	\$ -
25	Gas Engine Pumping Equipment	\$ -	0.00%	\$ -
26	Subtotal Pumping	<u>\$ 277,468</u>		<u>\$ 10,624</u>
27				
28	<u>Water Treatment</u>			
29	Land and Land Rights	\$ -	0.00%	\$ -
30	Structures and Improvements	\$ -	0.00%	\$ -
31	Water Treatment Equipment	\$ 25,315	12.00%	\$ 3,038
32	Subtotal Water Treatment	<u>\$ 25,315</u>		<u>\$ 3,038</u>
33				
34	<u>Transmission and Distribution</u>			
35	Land and Land Rights	\$ -	0.00%	\$ -
36	Structures and Improvements	\$ -	0.00%	\$ -
37	Distribution, Reservoirs, & ST	\$ 225,871	2.33%	\$ 3,520
38	Transmission and Distribution	\$ 774,027	2.10%	\$ 15,158
39	Fire Mains	\$ -	0.00%	\$ -
40	Services	\$ 182,275	2.89%	\$ 5,268
41	Meters	\$ 176,386	3.52%	\$ 6,209
42	Hydrants	\$ -	0.00%	\$ -
43	Other Transmission & Distribution	\$ -	0.00%	\$ -
44	Subtotal Transmission and Distribution	<u>\$ 1,358,559</u>		<u>\$ 30,155</u>
45				
46	<u>General</u>			
47	Land and Land Rights	\$ 25	0.00%	\$ -
48	Structures and Improvements	\$ 10,577	2.03%	\$ 215
49	Office Furniture and Equipment	\$ 22,445	4.10%	\$ 414
50	Computer Equipment	\$ 33,449	4.10%	\$ 1,025
51	Transportation Equipment	\$ 45,234	25.00%	\$ 11,309
52	Stores Equipment	\$ 247	3.93%	\$ 10
53	Tools, Shop and Garage	\$ 10,104	7.55%	\$ 763
54	Laboratory Equipment	\$ 627	3.06%	\$ 19
55	Power Operated Equipment	\$ 11,684	9.23%	\$ 567
56	Communication Equipment	\$ 7,477	4.10%	\$ 307
57	Miscellaneous Equipment	\$ 934	6.19%	\$ 58
58	Subtotal General	<u>\$ 142,803</u>		<u>\$ 14,686</u>
59				
63	TOTALS	<u>\$ 2,070,165</u>		\$ 65,699
69	Amortization of Deferred Regulatory Assets	\$ 24,785	3.36%	\$ 834
71	Less: Amortization of Contributions	\$ 280,867	10.00%	\$ (28,087)
72	Staff Recommended Depreciation Expense			\$ 38,447
73	Company Proposed Depreciation Expense			\$ 46,650
74	Staff Adjustment			<u>\$ (8,203)</u>

ARIZONA-AMERICAN WATER COMPANY, INC. - HAVASU WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SCHEDULE AII-9

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE		
<u>NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1	Staff Adjusted Test Year Revenues - 2001	\$ 440,924.00
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 881,848
4	Staff Recommended Revenue	\$ 409,727
5	Subtotal (Line 4 + Line 5)	\$ 1,291,575
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 430,525
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 861,050
10	Plus: 10% of CWIP - 2001	-
11	Less: Net Book Value of Licensed Vehicles	\$ 30,000
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 831,050
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 207,763
15	Composite Property Tax Rate	11.83%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 24,578
17	Company Proposed Property Tax Expense	\$ 28,682
18	Staff Adjustment (Line 16 - Line 17)	\$ (4,104)

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (32,151)	\$ 63,625	\$ 31,474
2	Total	\$ (32,151)	\$ 63,625	\$ 31,474

**REFERENCES:**

Column [A]:

Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]:

Testimony, All  
Schedule DWC-2

Column [C]:

Column [A] + Column[B]

ARIZONA-AMERICAN WATER COMPANY, INC. - HAVASU WATER  
 Docket No. WS-01303A-02-0067 et al.  
 Test Year Ended December 31, 2001

## MINIMUM MONTHLY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT				COMPANY PROPOSED				STAFF RECOMMENDED				PRESENT RATES			
		MINIMUM CHARGE		GALLONS INCLUDED		MINIMUM CHARGE		GALLONS INCLUDED		MINIMUM CHARGE		GALLONS INCLUDED		TIER ONE		TIER TWO	
		COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER
1	Residential 5/8"	\$ 10.00	\$ 1.00	1.00	\$ 14.61	\$ 1.00	\$ 8.24	1.00	\$ 15.80	\$ 1.00	\$ 15.80	1.00	\$ 15.80	\$ 1.42	\$ 1.31	Infinite	Infinite
2	Residential 1"	\$ 17.10	\$ 1.00	1.00	\$ 24.98	\$ 1.00	\$ 31.04	1.00	\$ 31.04	\$ 1.00	\$ 31.04	1.00	\$ 31.04	\$ 1.42	\$ 1.31	Infinite	Infinite
3	Residential 2"	\$ 33.60	\$ 1.00	1.00	\$ 48.09	\$ 1.00	\$ 53.21	1.00	\$ 53.21	\$ 1.00	\$ 53.21	1.00	\$ 53.21	\$ 1.42	\$ 1.31	Infinite	Infinite
4	Residential 4"	\$ 57.60	\$ 1.00	1.00	\$ 84.15	\$ 1.00	\$ 92.4	1.00	\$ 92.4	\$ 1.00	\$ 92.4	1.00	\$ 92.4	\$ 1.42	\$ 1.31	Infinite	Infinite
5	Commercial 5/8"	\$ 10.00	\$ 1.00	1.00	\$ 14.61	\$ 1.00	\$ 15.80	1.00	\$ 15.80	\$ 1.00	\$ 15.80	1.00	\$ 15.80	\$ 1.42	\$ 1.31	Infinite	Infinite
6	Commercial 1"	\$ 17.10	\$ 1.00	1.00	\$ 24.98	\$ 1.00	\$ 31.04	1.00	\$ 31.04	\$ 1.00	\$ 31.04	1.00	\$ 31.04	\$ 1.42	\$ 1.31	Infinite	Infinite
7	Commercial 2"	\$ 33.60	\$ 1.00	1.00	\$ 48.09	\$ 1.00	\$ 53.21	1.00	\$ 53.21	\$ 1.00	\$ 53.21	1.00	\$ 53.21	\$ 1.42	\$ 1.31	Infinite	Infinite
8	Commercial 3"	\$ 45.60	\$ 1.00	1.00	\$ 66.62	\$ 1.00	\$ 72.84	1.00	\$ 72.84	\$ 1.00	\$ 72.84	1.00	\$ 72.84	\$ 1.42	\$ 1.31	Infinite	Infinite
9	Commercial 4"	\$ 57.60	\$ 1.00	1.00	\$ 84.15	\$ 1.00	\$ 92.4	1.00	\$ 92.4	\$ 1.00	\$ 92.4	1.00	\$ 92.4	\$ 1.42	\$ 1.31	Infinite	Infinite
10	Multi-family 044 1"	\$ 440.00	\$ 44.00	44.00	\$ 642.84	\$ 44.00	\$ 517.35	44.00	\$ 517.35	\$ 44.00	\$ 517.35	44.00	\$ 517.35	\$ 1.42	\$ 1.31	Infinite	Infinite
11	Multi-family 056 2"	\$ 560.00	\$ 56.00	56.00	\$ 818.16	\$ 56.00	\$ 691.26	56.00	\$ 691.26	\$ 56.00	\$ 691.26	56.00	\$ 691.26	\$ 1.42	\$ 1.31	Infinite	Infinite
12	Multi-family 064 4"	\$ 640.00	\$ 64.00	64.00	\$ 935.04	\$ 64.00	\$ 800.50	64.00	\$ 800.50	\$ 64.00	\$ 800.50	64.00	\$ 800.50	\$ 1.42	\$ 1.31	Infinite	Infinite
13	Multi-family 065 2"	\$ 650.00	\$ 65.00	65.00	\$ 949.65	\$ 65.00	\$ 814.98	65.00	\$ 814.98	\$ 65.00	\$ 814.98	65.00	\$ 814.98	\$ 1.42	\$ 1.31	Infinite	Infinite
14	Multi-family 067 4"	\$ 670.00	\$ 67.00	67.00	\$ 978.87	\$ 67.00	\$ 843.22	67.00	\$ 843.22	\$ 67.00	\$ 843.22	67.00	\$ 843.22	\$ 1.42	\$ 1.31	Infinite	Infinite
15	Multi-family 089 1"	\$ 890.00	\$ 89.00	89.00	\$ 1,300.29	\$ 89.00	\$ 1,119.76	89.00	\$ 1,119.76	\$ 89.00	\$ 1,119.76	89.00	\$ 1,119.76	\$ 1.42	\$ 1.31	Infinite	Infinite
16	Multi-family 102 2"	\$ 1,020.00	\$ 102.00	102.00	\$ 1,490.22	\$ 102.00	\$ 1,288.00	102.00	\$ 1,288.00	\$ 102.00	\$ 1,288.00	102.00	\$ 1,288.00	\$ 1.42	\$ 1.31	Infinite	Infinite
17	Multi-family 128 4"	\$ 1,290.00	\$ 129.00	129.00	\$ 1,864.69	\$ 129.00	\$ 1,635.69	129.00	\$ 1,635.69	\$ 129.00	\$ 1,635.69	129.00	\$ 1,635.69	\$ 1.42	\$ 1.31	Infinite	Infinite
18	Multi-family 153 4"	\$ 1,530.00	\$ 153.00	153.00	\$ 2,235.33	\$ 153.00	\$ 1,982.33	153.00	\$ 1,982.33	\$ 153.00	\$ 1,982.33	153.00	\$ 1,982.33	\$ 1.42	\$ 1.31	Infinite	Infinite
19	Intentionally left blank																

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES				STAFF RECOMMENDED RATES			
		TIER ONE		TIER TWO		TIER ONE		TIER TWO	
		COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER	COMMODITY SUMMER	COMMODITY WINTER
20	Residential 5/8"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
21	Residential 1"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
22	Residential 2"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
23	Residential 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
24	Commercial 5/8"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
25	Commercial 1"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
26	Commercial 2"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
27	Commercial 3"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
28	Commercial 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
29	Multi-family 044 1"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
30	Multi-family 056 2"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
31	Multi-family 064 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
32	Multi-family 065 2"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
33	Multi-family 067 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
34	Multi-family 089 1"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
35	Multi-family 102 2"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
36	Multi-family 129 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
37	Multi-family 153 4"	\$ 2.07	\$ 1.91	Infinite	Infinite	\$ 0.81	\$ 4,000	\$ 1.21	\$ 100,000
38	Intentionally left blank								

ARIZONA-AMERICAN WATER COMPANY, INC. - HAVASU WATER  
 Docket No. WS-01303A-02-0867 et al.  
 Test Year Ended December 31, 2001

## MINIMUM MONTHLY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY SUMMER	COMMODITY WINTER	UPPER LIMIT	TIER TWO COMMODITY RATE
1	Residential 5/8"	\$ 10.00	1.00	\$ 14.61	1.00	\$ 9.24	-	\$ 1.42	\$ 1.31	Infinite	
2	Residential 1"	\$ 17.10	1.00	\$ 24.98	1.00	\$ 15.80	-	\$ 1.42	\$ 1.31	Infinite	
3	Residential 2"	\$ 33.60	1.00	\$ 49.09	1.00	\$ 31.04	-	\$ 1.42	\$ 1.31	Infinite	
4	Residential 4"	\$ 57.60	1.00	\$ 84.15	1.00	\$ 53.21	-	\$ 1.42	\$ 1.31	Infinite	
5	Commercial 5/8"	\$ 10.00	1.00	\$ 14.61	1.00	\$ 9.24	-	\$ 1.42	\$ 1.31	Infinite	
6	Commercial 1"	\$ 17.10	1.00	\$ 24.98	1.00	\$ 15.80	-	\$ 1.42	\$ 1.31	Infinite	
7	Commercial 2"	\$ 33.60	1.00	\$ 49.09	1.00	\$ 31.04	-	\$ 1.42	\$ 1.31	Infinite	
8	Commercial 3"	\$ 45.60	1.00	\$ 66.62	1.00	\$ 42.13	-	\$ 1.42	\$ 1.31	Infinite	
9	Commercial 4"	\$ 57.60	1.00	\$ 84.15	1.00	\$ 53.21	-	\$ 1.42	\$ 1.31	Infinite	
10	Multi-family 044 1"	\$ 440.00	44.00	\$ 642.84	44.00	\$ 406.49	-	\$ 1.42	\$ 1.31	Infinite	
11	Multi-family 056 2"	\$ 560.00	56.00	\$ 818.16	56.00	\$ 517.35	-	\$ 1.42	\$ 1.31	Infinite	
12	Multi-family 064 4"	\$ 640.00	64.00	\$ 935.04	64.00	\$ 591.26	-	\$ 1.42	\$ 1.31	Infinite	
13	Multi-family 066 2"	\$ 650.00	65.00	\$ 949.65	65.00	\$ 600.50	-	\$ 1.42	\$ 1.31	Infinite	
14	Multi-family 067 4"	\$ 670.00	67.00	\$ 978.87	67.00	\$ 618.98	-	\$ 1.42	\$ 1.31	Infinite	
15	Multi-family 089 1"	\$ 890.00	89.00	\$ 1,300.29	89.00	\$ 822.22	-	\$ 1.42	\$ 1.31	Infinite	
16	Multi-family 102 2"	\$ 1,020.00	102.00	\$ 1,490.22	102.00	\$ 942.32	-	\$ 1.42	\$ 1.31	Infinite	
17	Multi-family 129 4"	\$ 1,290.00	129.00	\$ 1,884.69	129.00	\$ 1,191.75	-	\$ 1.42	\$ 1.31	Infinite	
18	Multi-family 153 4"	\$ 1,530.00	153.00	\$ 2,235.33	153.00	\$ 1,413.46	-	\$ 1.42	\$ 1.31	Infinite	
19	Intentionally left blank										

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES		STAFF RECOMMENDED RATES		TIER ONE				TIER TWO				TIER THREE			
		COMMODITY SUMMER	COMMODITY WINTER	UPPER LIMIT	COMMODITY SUMMER	COMMODITY WINTER	UPPER LIMIT	COMMODITY RATE	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
20	Residential 5/8"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
21	Residential 1"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
22	Residential 2"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
23	Residential 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
24	Commercial 5/8"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
25	Commercial 1"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
26	Commercial 2"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
27	Commercial 3"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
28	Commercial 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
29	Multi-family 044 1"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
30	Multi-family 056 2"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
31	Multi-family 064 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
32	Multi-family 066 2"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
33	Multi-family 067 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
34	Multi-family 089 1"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
35	Multi-family 102 2"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
36	Multi-family 129 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
37	Multi-family 153 4"	\$ 2.07	\$ 1.91	Infinite				\$ 0.81	\$ 0.81	4,000	\$ 1.21	100,000	\$ 1.45	Infinite			
38	Intentionally left blank																

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT							
		SUMMER				WINTER			
		AVERAGE		MEDIAN		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS	USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	7,659	\$ 19.46	5,000	\$ 15.68	7,659	\$ 18.72	5,000	\$ 15.24
2	Residential 1"	569,250	\$ 824.02	516,500	\$ 749.11	569,250	\$ 761.51	516,500	\$ 692.41
3	Residential 2"	166,833	\$ 269.08	154,500	\$ 251.57	166,833	\$ 250.84	154,500	\$ 234.69
4	Residential 4"	291,500	\$ 470.11	331,000	\$ 526.20	291,500	\$ 438.16	331,000	\$ 489.90
5	Commercial 5/8"	22,384	\$ 40.37	9,000	\$ 21.36	22,384	\$ 38.01	9,000	\$ 20.48
6	Commercial 1"	68,625	\$ 113.13	57,000	\$ 96.62	68,625	\$ 105.69	57,000	\$ 90.46
7	Commercial 2"	76,793	\$ 141.23	57,500	\$ 113.83	76,793	\$ 132.89	57,500	\$ 107.62
8	Commercial 3"	489,810	\$ 739.71	-	\$ 45.60	489,810	\$ 687.25	-	\$ 45.60
9	Commercial 4"	192,833	\$ 330.00	125,000	\$ 233.68	192,833	\$ 308.90	125,000	\$ 220.04
10	Multi-family 044 1"	160,250	\$ 605.08	154,000	\$ 596.20	160,250	\$ 592.29	154,000	\$ 584.10
11	Multi-family 056 2"	117,917	\$ 647.92	117,000	\$ 646.62	117,917	\$ 641.11	117,000	\$ 639.91
12	Multi-family 064 4"	208,583	\$ 845.31	183,500	\$ 809.69	208,583	\$ 829.40	183,500	\$ 796.55
13	Multi-family 065 2"	161,083	\$ 786.44	135,000	\$ 749.40	161,083	\$ 775.87	135,000	\$ 741.70
14	Multi-family 067 4"	305,250	\$ 1,008.32	345,000	\$ 1,064.76	305,250	\$ 982.11	345,000	\$ 1,034.18
15	Multi-family 089 1"	256,000	\$ 1,127.14	241,500	\$ 1,106.55	256,000	\$ 1,108.77	241,500	\$ 1,089.78
16	Multi-family 102 2"	134,167	\$ 1,065.68	131,000	\$ 1,061.18	134,167	\$ 1,062.14	131,000	\$ 1,057.99
17	Multi-family 129 4"	170,500	\$ 1,348.93	182,500	\$ 1,365.97	170,500	\$ 1,344.37	182,500	\$ 1,360.09
18	Multi-family 153 4"	192,500	\$ 1,585.38	192,000	\$ 1,585.38	192,000	\$ 1,581.09	192,000	\$ 1,581.09
19	Intentionally left blank								

LINE NO.	CUSTOMER CLASS	SUMMER					WINTER				
		AVERAGE		MEDIAN		PERCENT	AVERAGE		MEDIAN		PERCENT
		USAGE	DOLLARS	USAGE	DOLLARS		USAGE	DOLLARS	USAGE	DOLLARS	
20	Residential 5/8"	7,659	\$ 28.39	5,000	\$ 22.89	45.93%	7,659	\$ 27.33	5,000	\$ 22.25	46.00%
21	Residential 1"	569,250	\$ 1,201.26	516,500	\$ 1,092.07	45.78%	569,250	\$ 1,110.34	516,500	\$ 1,009.59	45.81%
22	Residential 2"	166,833	\$ 392.37	154,500	\$ 366.84	45.82%	166,833	\$ 365.83	154,500	\$ 342.28	45.84%
23	Residential 4"	291,500	\$ 685.49	331,000	\$ 767.25	45.81%	291,500	\$ 639.01	331,000	\$ 714.45	45.84%
24	Commercial 5/8"	22,384	\$ 58.88	9,000	\$ 31.17	45.88%	22,384	\$ 55.45	9,000	\$ 29.89	45.91%
25	Commercial 1"	68,625	\$ 164.96	57,000	\$ 140.90	45.82%	68,625	\$ 154.14	57,000	\$ 131.94	45.85%
26	Commercial 2"	76,793	\$ 205.98	57,500	\$ 166.05	45.86%	76,793	\$ 193.85	57,500	\$ 157.01	45.88%
27	Commercial 3"	489,810	\$ 1,078.46	-	\$ 66.62	45.81%	489,810	\$ 1,000.25	-	\$ 66.62	45.58%
28	Commercial 4"	192,833	\$ 481.25	125,000	\$ 340.83	45.84%	192,833	\$ 450.55	125,000	\$ 320.99	45.87%
29	Multi-family 044 1"	160,250	\$ 883.48	154,000	\$ 870.54	46.01%	160,250	\$ 864.88	154,000	\$ 852.94	46.02%
30	Multi-family 056 2"	117,917	\$ 946.33	117,000	\$ 944.43	46.06%	117,917	\$ 936.42	117,000	\$ 934.67	46.06%
31	Multi-family 064 4"	208,583	\$ 1,234.33	183,500	\$ 1,182.41	46.03%	208,583	\$ 1,211.19	183,500	\$ 1,163.29	46.04%
32	Multi-family 065 2"	161,083	\$ 1,148.54	135,000	\$ 1,094.55	46.05%	161,083	\$ 1,133.17	135,000	\$ 1,083.35	46.06%
33	Multi-family 067 4"	305,250	\$ 1,472.05	345,000	\$ 1,554.33	45.98%	305,250	\$ 1,433.93	345,000	\$ 1,509.85	46.00%
34	Multi-family 089 1"	256,000	\$ 1,645.98	241,500	\$ 1,615.97	46.03%	256,000	\$ 1,619.26	241,500	\$ 1,591.57	46.04%
35	Multi-family 102 2"	134,167	\$ 1,556.81	131,000	\$ 1,550.25	46.09%	134,167	\$ 1,551.66	131,000	\$ 1,545.61	46.09%
36	Multi-family 129 4"	170,500	\$ 1,970.60	182,500	\$ 1,995.44	46.08%	170,500	\$ 1,963.96	182,500	\$ 1,986.88	46.09%
37	Multi-family 153 4"	192,500	\$ 2,316.06	192,000	\$ 2,316.06	46.09%	192,000	\$ 2,309.82	192,000	\$ 2,309.82	46.09%
38	Intentionally left blank										

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	CHANGE	PERCENT	MEDIAN	INCREASE	PERCENT
39	Residential 5/8"	\$ 16.91	\$ (2.55)	-13.12%	\$ 13.69	\$ (1.99)	-12.69%
40	Residential 1"	\$ 815.61	\$ (8.41)	-1.02%	\$ 739.12	\$ (9.99)	-1.33%
41	Residential 2"	\$ 247.35	\$ (21.73)	-8.08%	\$ 229.47	\$ (22.10)	-8.79%
42	Residential 4"	\$ 450.29	\$ (19.82)	-4.22%	\$ 507.56	\$ (18.64)	-3.54%
43	Commercial 5/8"	\$ 34.72	\$ (5.65)	-13.98%	\$ 18.53	\$ (2.83)	-13.25%
44	Commercial 1"	\$ 97.24	\$ (15.89)	-14.05%	\$ 83.17	\$ (13.45)	-13.92%
45	Commercial 2"	\$ 122.36	\$ (18.87)	-13.36%	\$ 99.02	\$ (14.81)	-13.01%
46	Commercial 3"	\$ 726.75	\$ (12.96)	-1.75%	\$ 42.13	\$ (3.47)	-7.61%
47	Commercial 4"	\$ 307.22	\$ (22.78)	-6.90%	\$ 208.86	\$ (24.82)	-10.62%
48	Multi-family 044 1"	\$ 613.25	\$ 8.17	1.35%	\$ 604.19	\$ 7.99	1.34%
49	Multi-family 056 2"	\$ 662.73	\$ 14.81	2.29%	\$ 661.40	\$ 14.78	2.29%
50	Multi-family 064 4"	\$ 868.11	\$ 22.80	2.70%	\$ 831.73	\$ 22.04	2.72%
51	Multi-family 065 2"	\$ 809.51	\$ 23.07	2.93%	\$ 770.65	\$ 21.25	2.84%
52	Multi-family 067 4"	\$ 1,035.99	\$ 27.67	2.74%	\$ 1,093.63	\$ 28.87	2.71%
53	Multi-family 089 1"	\$ 1,167.82	\$ 40.68	3.61%	\$ 1,146.79	\$ 40.24	3.64%
54	Multi-family 102 2"	\$ 1,111.26	\$ 45.58	4.28%	\$ 1,106.67	\$ 45.49	4.29%
55	Multi-family 129 4"	\$ 1,413.38	\$ 64.45	4.78%	\$ 1,430.78	\$ 64.81	4.74%
56	Multi-family 153 4"	\$ 1,667.01	\$ 81.63	5.15%	\$ 1,666.28	\$ 80.90	5.10%
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Docket No. WS-01303A-02-0867 et al.

Test Year Ended December 31, 2001

## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 19,019,625	\$ 16,742,164	\$ 16,742,164
2	Adjusted Operating Income/(Loss)	\$ 1,215,779	\$ 1,637,250	\$ 1,637,250
3	Current Rate of Return (L2 / L1)	6.39%	9.78%	9.78%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 1,474,021	\$ 1,101,634	\$ 1,101,634
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 258,242	\$ (535,616)	\$ (535,616)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 420,573	<b>\$ (872,322)</b>	<b>\$ (872,322)</b>
9	Adjusted Test Year Revenue	\$ 6,186,037	\$ 6,186,037	\$ 6,186,037
10	Proposed Annual Revenue (L8 + L9)	\$ 6,606,610	\$ 5,313,715	\$ 5,313,715
11	Required Increase/Decrease in Revenue (%)	6.80%	-14.10%	-14.10%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 1,101,634			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 1,637,250			
20	Required Increase in Operating Income (L18 - L19)		\$ (535,616)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 395,729			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 732,435			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (336,707)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 5,313,715			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (872,322)		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 6,186,037		STAFF Recommended \$ 5,313,715	
31	Operating Expenses Excluding Income Taxes	\$ 3,816,352	\$ -	\$ 3,816,352	
32	Synchronized Interest (L43)	\$ 472,129		\$ 472,129	
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 1,897,555.91		\$ 1,025,233.91	
34	Arizona State Income Tax Rate	6.9680%		6.9680%	
35	Arizona Income Tax (L33 x L34)		\$ 132,222		\$ 71,438
36	Federal Taxable Income (L33 - L35)	\$ 1,765,334		\$ 953,796	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)		\$ 600,214		\$ 324,291
39	Combined Federal and State Income Tax (L35 + L38)		\$ 732,435		\$ 395,729
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 16,742,164			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 472,129			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 50,919,880	\$ 224,901 A	\$ 51,144,781
2	Less: Accumulated Depreciation	4,993,698	32,822 B	5,026,520
3	Net Plant in Service	<u>\$ 45,926,182</u>	<u>\$ 192,079</u>	<u>\$ 46,118,261</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	<u>1,973,438</u>	-	<u>1,973,438</u>
7	Advances in Aid of Construction (AIAC)	27,385,370	-	27,385,370
8	Customer Deposits	-	-	-
9	Meter Advances	17,289	-	17,289
10	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
11	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Citizens Acquisition Adjustment	13,305,699	(13,305,699) C	-
17	Original Cost Rate Base	<u>\$ 29,855,784</u>	<u>\$ (13,113,620)</u>	<u>\$ 16,742,164</u>

Adjustments:

- A. See plant adjustments on Schedule DWC-4
- B. See accumulated depreciation adjustments on Schedule DWC-4
- C. See acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

SUM ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
					Leave Blank	Leave Blank	Leave Blank				
1		<u>PLANT IN SERVICE:</u>									
2	301.00	Intangible									
3	302.00	Organization	\$ 1,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,229
4	303.00	Franchises	78,887	-	-	-	-	-	-	-	78,887
5	303.00	Miscellaneous Intangibles	115,264	-	-	-	-	-	-	-	115,264
6		Subtotal Intangible	195,380	-	-	-	-	-	-	-	195,380
7		<u>Source of Supply</u>									
8	310.00	Land & Land Rights	217,682	(4,619)	-	-	-	-	-	-	213,063
9	311.00	Structures & Improvements	1,150,072	(11,196)	-	-	-	50,631	-	-	1,189,507
10	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	4,081,994	-	-	-	-	(29,586)	-	-	4,052,408
13		Subtotal Source of Supply	5,449,748	(15,815)	-	-	-	21,045	-	-	5,454,978
14		<u>Pumping</u>									
15	320.00	Land & Land Rights	47,681	-	-	-	-	-	-	-	47,681
16	321.00	Structures & Improvements	1,246,735	-	-	-	-	-	-	-	1,246,735
17	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
18	325.00	Electric Pumping Equipment	14,538,913	(15,122)	-	-	-	90,551	-	-	14,614,342
19	326.00	Diesel Pumping Equipment	25,799	-	-	-	-	-	-	-	25,799
20	328.10	Gas Engine Pumping Equipment	697	-	-	-	-	-	-	-	697
21		Subtotal Pumping	15,859,825	(15,122)	-	-	-	90,551	-	-	15,935,254
22		<u>Water Treatment</u>									
23	330.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
24	331.00	Structures & Improvements	39,917	-	-	-	-	-	-	-	39,917
25	332.00	Water Treatment Equipment	387,757	(3,442)	-	-	-	(10,260)	-	-	374,055
26		Subtotal Water Treatment	427,674	(3,442)	-	-	-	(10,260)	-	-	413,972
27		<u>Transmission &amp; Distribution</u>									
28	340.00	Land & Land Rights	225	-	-	-	-	-	-	-	225
29	341.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
30	342.00	Distribution Reservoirs & Standpipes	3,145,746	(34,414)	-	-	-	(20,687)	-	-	3,090,645
31	343.00	Transmission & Distribution	21,475,529	(7,710)	-	-	-	(8,345)	-	-	21,459,474
32	344.00	Fire Mains	-	-	-	-	-	-	-	-	-
33	345.00	Services	2,694,167	-	-	-	-	-	-	-	2,694,167
34	346.00	Meters	1,744,305	-	-	-	-	-	-	-	1,744,305
35	348.00	Hydrants	2,799,956	-	-	-	-	5,229	-	-	2,805,185
36	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
37		Subtotal Transmission & Distribu.	31,859,928	(42,124)	-	-	-	(23,803)	-	-	31,794,001
38		<u>General - Allocated Common Plant</u>									
39	390.00	Land & Land Rights	681	-	-	-	-	-	-	-	681
40	390.00	Structures & Improvements	467,707	-	-	-	-	-	-	-	467,707
41	391.00	Office Furniture and Equipment	238,820	-	-	-	-	(8,514)	-	-	230,306
42	391.10	Computer Equipment	272,602	-	-	-	-	-	-	-	272,602
43	392.00	Transportation Equipment	251,004	-	-	-	-	-	-	-	251,004
44	393.00	Stores Equipment	4,012	-	-	-	-	-	-	-	4,012
45	394.00	Tools, Shop, & Garage Equipment	66,402	-	-	-	-	(9,000)	-	-	57,402
46	395.00	Laboratory Equipment	18,183	-	-	-	-	-	-	-	18,183
47	396.00	Power Operated Equipment	16,803	-	-	-	-	-	-	-	16,803
48	397.00	Communication Equipment	98,945	-	-	-	-	23,584	-	-	122,529
49	398.00	Miscellaneous Equipment	38,697	-	-	-	-	-	-	-	38,697
50		Subtotal General	1,473,856	-	-	-	-	6,070	-	-	1,479,926
51	Add:										
52											
53	Less:	Remove Double-Booked Advances	(4,128,730)	-	-	-	-	-	-	-	(4,128,730)
54		AFUDC Adjustment 3/95**	(217,801)	-	-	-	-	-	217,801	-	-
55											
56	61	Total Plant in Service	\$ 50,919,880	\$ (76,503)	\$ -	\$ -	\$ -	\$ 83,603	\$ 217,801	\$ -	\$ 51,144,781
57	62	Less: Accumulated Depreciation	4,993,698	19,638	-	-	-	-	52,460	-	5,026,520
58	63	Net Plant in Service (L59 - L 60)	\$ 45,926,182	\$ (56,865)	\$ -	\$ -	\$ -	\$ 83,603	\$ 165,341	\$ -	\$ 46,118,261
59	64										
60	65	<u>LESS:</u>									
61	66	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62	67	Less: Accumulated Amortization	-	-	-	-	-	-	-	-	-
63	68	Net CIAC (L25 - L26)	1,973,438	-	-	-	-	-	-	-	1,973,438
64	69	Advances in Aid of Construction (AIAC)	27,385,370	-	-	-	-	-	-	-	27,385,370
65	70	Customer Deposits	-	-	-	-	-	-	-	-	-
66	71	Meter Advances	17,289	-	-	-	-	-	-	-	17,289
67	72	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-
68	73										
69	74	<u>ADD:</u>									
70	75	Cash Working Capital Allowance	-	-	-	-	-	-	-	-	-
71	76	Prepayments	-	-	-	-	-	-	-	-	-
72	77	Supplies Inventory	-	-	-	-	-	-	-	-	-
73	78	Projected Capital Expenditures	-	-	-	-	-	-	-	-	-
74	79	Deferred Debits	-	-	-	-	-	-	-	-	-
75	80	Citizens Acquisition Adjustment	13,305,699	-	-	-	-	-	-	(13,305,699)	-
76	81	Original Cost Rate Base	\$ 29,855,784	\$ (56,865)	\$ -	\$ -	\$ -	\$ 83,603	\$ 165,341	\$ (13,305,699)	\$ 16,742,164

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports.
2	Plant - unidentified Per Staff Engineering Reports.
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3.
4	Plant - removed by previous decision Per Decision No. 60172.
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2.
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 5,846,076	\$ -	\$ 5,846,076	\$ (872,322)	\$ 4,973,754
3	Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	339,961	-	339,961	-	339,961
5	Total Operating Revenues	\$ 6,186,037	\$ -	\$ 6,186,037	\$ (872,322)	\$ 5,313,715
6	<u>OPERATING EXPENSES:</u>					
7	Salaries & Wages	\$ 632,324	\$ (216,798)	\$ 415,526	\$ -	\$ 415,526
8	Purchased Water	382,700	(97,900)	284,800	-	284,800
9	Purchased Pumping Power	601,814	73	601,887	-	601,887
10	Chemicals	10,523	-	10,523	-	10,523
11	Repairs & Maintenance	198,956	8,729	207,685	-	207,685
12	Office Supplies & Expense	164,777	(127,984)	36,793	-	36,793
13	Outside Services	35,465	30,666	66,131	-	66,131
14	Service Company Charges	713,274	(713,274)	-	-	-
15	Water Testing	8,614	-	8,614	-	8,614
16	Rents	25,840	-	25,840	-	25,840
17	Transportation Expense	-	-	-	-	-
18	Insurance - General Liability	33,390	16,342	49,732	-	49,732
19	Insurance - Health and Life	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	43,906	-	43,906	-	43,906
21	Miscellaneous Operating Expense	188,009	259,615	447,624	-	447,624
22	Depreciation Expense	1,187,079	92,633	1,279,712	-	1,279,712
23	Taxes Other Than Income	40,435	3,225	43,660	-	43,660
24	Property Taxes	315,444	(21,524)	293,920	-	293,920
25	Income Tax	387,708	344,727	732,435	(336,706)	395,729
26						
27	Total Operating Expenses	\$ 4,970,258	\$ (421,471)	\$ 4,548,787	\$ (336,706)	\$ 4,212,081
28	Operating Income (Loss)	\$ 1,215,779	\$ 421,471	\$ 1,637,250	\$ (535,616)	\$ 1,101,634

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule AII-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

ARIZONA-AMERICAN WATER COMPANY, INC. - AGUA FRIA WATER  
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## SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) STAFF ADJUSTED
1	REVENUES:											
2	Metered Water Sales	\$ 5,846,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,846,076
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	339,961	-	-	-	-	-	-	-	-	-	339,961.0
5	Total Operating Revenues	\$ 6,186,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,186,037
6	OPERATING EXPENSES:											
7	Salaries & Wages	\$ 632,324	\$ -	\$ (126,182)	\$ -	\$ 415,526	\$ (506,142)	\$ -	\$ -	\$ -	\$ -	\$ 415,526
8	Purchased Water	382,700	-	-	-	-	-	-	-	-	(97,900)	284,800
9	Purchased Pumping Power	601,814	73	-	-	-	-	-	-	-	-	601,887
10	Chemicals	10,523	-	-	-	-	-	-	-	-	-	10,523
11	Repairs & Maintenance	198,956	8,729	-	-	-	-	-	-	-	-	207,685
12	Office Supplies & Expense	164,777	32,612	(160,596)	-	-	-	-	-	-	-	36,793
13	Outside Services	35,465	30,666	-	-	-	-	-	-	-	-	66,131
14	Service Company Charges	713,274	-	-	(713,274)	-	-	-	-	-	-	-
15	Water Testing	8,614	-	-	-	-	-	-	-	-	-	8,614
16	Rents	25,840	-	-	-	-	-	-	-	-	-	25,840
17	Transportation Expense	-	-	-	-	-	-	-	-	-	-	-
18	Insurance - General Liability	33,390	49,205	(32,863)	-	-	-	-	-	-	-	49,732
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	43,906	-	-	-	-	-	-	-	-	-	43,906
21	Miscellaneous Operating Expense	188,009	264,612	(4,997)	-	-	-	-	-	-	-	447,624
22	Depreciation Expense	1,187,079	-	-	-	-	-	92,633	-	-	-	1,279,712
23	Taxes Other Than Income	40,435	-	-	-	-	(40,435)	-	-	-	-	43,660
24	Property Taxes	315,444	-	-	-	43,660	-	-	(21,524)	-	-	293,920
25	Income Tax	387,708	-	-	-	-	-	-	-	344,727	-	732,435
26	Total Operating Expenses	\$ 4,970,258	\$ 385,897	\$ (324,638)	\$ (713,274)	\$ 459,186	\$ (546,577)	\$ 92,633	\$ (21,524)	\$ 344,727	\$ (97,900)	\$ 4,548,787
27	Operating Income (Loss)	\$ 1,215,779	\$ (385,897)	\$ 324,638	\$ 713,274	\$ (459,186)	\$ 546,577	\$ (92,633)	\$ 21,524	\$ (344,727)	\$ 97,900	\$ 1,637,250

## References:

ADJ #	
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Property Taxes
7	Depreciation Expense
8	Income Taxes
9	Purchased Water Expense
	Schedule All-3
	Schedule All-4
	Schedule All-5
	Schedule All-6
	Schedule All-7
	Schedule All-8
	Schedule All-9
	Schedule All-10
	Schedule All-11

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**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (73)	1b	\$ 73
3	Chemicals	\$ -	1c	\$ -
4	Repairs & Miantenance	\$ (8,729)	1d	\$ 8,729
5	Office Supplies	\$ (32,612)	1e	\$ 32,612
6	Outside Services	\$ (30,666)	1f	\$ 30,666
7	Rents	\$ -	1g	\$ -
8	Insurance Expense	\$ (49,205)	1h	\$ 49,205
9	Miscellaneous Expense	\$ (264,612)	1i	\$ 264,612
10	Total Adjustments	<u>\$ (385,897)</u>		<u>\$ 385,897</u>

## REFERENCES:

Column [A]:

Company Schedule C-2, page 1

Company Schedule C-2, page 2

Bourassa, Direct, page 12

Stephenson, Direct, pages 15 and 16

Columns [B]:

Testimony, All

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**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
NO.	DESCRIPTION		
1	Service Company Charges	\$ 713,274	\$ (713,274)
2	Total Adjustments	<u>\$ 713,274</u>	<u>\$ (713,274)</u>

## REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 12 and 13  
Stephenson, Direct, page 16

Column [B]:

Testimony, All

**OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 126,182	3a	\$ (126,182)
2	Office Expense	\$ 160,596	3b	\$ (160,596)
3	Insurance	\$ 32,863	3c	\$ (32,863)
4	Miscellaneous	\$ 4,997	3d	\$ (4,997)
5	Total Adjustment	<u>\$ 324,638</u>		<u>\$ (324,638)</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]: Testimony, All

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE		[A]		[B]
NO.	DESCRIPTION	COMPANY AS FILED	ADJUSTMENT LABEL	STAFF ADJUSTMENT
1	Salaries & Wages	\$ (415,526)	4a	\$ 415,526
2	Payroll Taxes	\$ (43,660)	4b	\$ 43,660
3	Total Adjustments	<u>\$ (459,186)</u>		<u>\$ 459,186</u>
4	Chemicals			

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 13

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - AGUA FRIA WATER  
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SCHEDULE AII-7

**OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES**

LINE	[A] COMPANY	ADJUSTMENT	[B] STAFF
<u>NO.</u> <u>DESCRIPTION</u>	<u>AS FILED</u>	<u>LABEL</u>	<u>ADJUSTMENT</u>
1 Salaries & Wages	\$ 506,142	5a	\$ (506,142)
2 Payroll Taxes	\$ 40,435	5b	\$ (40,435)
3 Total Adjustments	<u>\$ 546,577</u>		<u>\$ (546,577)</u>

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]: Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ 1,229	0.00%	\$ -
3	Franchises	\$ 78,887	0.00%	\$ -
4	Miscellaneous Intangibles	\$ 115,264	0.00%	\$ -
5	Subtotal Intangible	\$ 195,380		\$ -
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 213,063	0.00%	\$ -
9	Structures and Improvements	\$ 1,189,507	2.50%	\$ 29,738
10	Collecting and Impounding Res.	\$ -	0.00%	\$ -
11	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
12	Wells and Springs	\$ 4,052,408	2.52%	\$ 102,121
13	Subtotal Source of Supply	\$ 5,454,978		\$ 131,858
14				
15	<u>Pumping</u>			
16	Land and Land Rights	\$ 47,681	0.00%	\$ -
17	Structures and Improvements	\$ 1,246,735	1.67%	\$ 20,820
18	Other Power Production	\$ -	0.00%	\$ -
19	Electric Pumping Equipment	\$ 14,614,342	4.42%	\$ 645,954
20	Diesel Pumping Equipment	\$ 25,799	4.42%	\$ 1,140
21	Gas Engine Pumping Equipment	\$ 697	4.42%	\$ 31
22	Subtotal Pumping	\$ 15,935,254		\$ 667,946
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ -	0.00%	\$ -
26	Structures and Improvements	\$ 39,917	1.67%	\$ 667
27	Water Treatment Equipment	\$ 374,055	4.00%	\$ 14,962
28	Subtotal Water Treatment	\$ 413,972		\$ 15,629
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ 225	0.00%	\$ -
32	Structures and Improvements	\$ -	0.00%	\$ -
33	Distribution, Reservoirs, & ST	\$ 3,090,645	1.67%	\$ 51,614
34	Transmission and Distribution	\$ 21,459,474	1.53%	\$ 328,330
35	Fire Mains	\$ -	0.00%	\$ -
36	Services	\$ 2,694,167	2.48%	\$ 66,815
37	Meters	\$ 1,744,305	2.51%	\$ 43,782
38	Hydrants	\$ 2,805,185	2.00%	\$ 56,104
39	Other Transmission & Distribution	\$ -	0.00%	\$ -
40	Subtotal Transmission and Distribution	\$ 31,794,001		\$ 546,645
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 681	0.00%	\$ -
44	Structures and Improvements	\$ 467,707	1.68%	\$ 7,861
45	Office Furniture and Equipment	\$ 230,306	4.55%	\$ 10,468
46	Computer Equipment	\$ 272,602	4.55%	\$ 12,390
47	Transportation Equipment	\$ 251,004	25.00%	\$ 62,751
48	Stores Equipment	\$ 4,012	3.92%	\$ 157
49	Tools, Shop and Garage	\$ 57,402	4.14%	\$ 2,374
50	Laboratory Equipment	\$ 18,183	3.71%	\$ 675
51	Power Operated Equipment	\$ 16,803	5.14%	\$ 864
52	Communication Equipment	\$ 122,529	10.28%	\$ 12,593
53	Miscellaneous Equipment	\$ 38,697	4.98%	\$ 1,927
54	Subtotal General	\$ 1,479,926		\$ 112,060
55	Post closing plant adjustment	\$ (4,128,730)	2.67%	\$ (110,226)
56	AFUDC adjustment 3/95	\$ -	2.67%	\$ -
57	Total	\$ 51,144,781		\$ 1,474,138
62	Amortization of Deferred Regulatory Assets	\$ 109,279	2.67%	\$ 2,918
64	Less: Amortization of Contributions	\$ 1,973,438	10.00%	\$ (197,344)
65	Staff Recommended Depreciation Expense			\$ 1,279,712
66	Company proposed depreciation expense			\$ 1,187,079
67	Staff Adjustment			\$ 92,633

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SCHEDULE AII-9

OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE

LINE

NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 6,186,037
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	12,372,074
4	Staff Recommended Revenue	5,313,715
5	Subtotal (Line 4 + Line 5)	17,685,789
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	5,895,263
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	11,790,526
10	Plus: 10% of CWIP - 2001	-
11	Less: Net Book Value of Licensed Vehicles	251,004
12	Full Cash Value (Line 9 + Line 10 - Line 11)	11,539,522
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 2,884,881
15	Composite Property Tax Rate	10.18827%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 293,920
17	Company Proposed Property Tax Expense	\$ 315,444
18	Staff Adjustment (Line 16 - Line 17)	\$ (21,524)

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SCHEDULE AII-10

OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENT	STAFF PROPOSED
1	Income Taxes	\$ 387,708	\$ 344,727	\$ 732,435
2	Total	\$ 387,708	\$ 344,727	\$ 732,435

REFERENCES:

Column [A]: Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]: Testimony, All  
Schedule DWC-2

Column [C]: Column [A] + Column [B]

**OPERATING ADJUSTMENT #9 - PURCHASE WATER EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Purchase Water Expense	\$ 382,700	\$ (97,900)	\$ 284,800
2	Total	<u>\$ 382,700</u>	<u>\$ (97,900)</u>	<u>\$ 284,800</u>
3				
4				
5	<u>CALCULATION OF ANNUALIZED PURCHASE WATER EXPENSE</u>			
6	Quantity Ordered - 2001 (Acre Foot)		3,200	
7				
8	Cost/Acre Foot - Capital	\$ 62		
9	Cost/Acre Foot - Delivery	\$ 43		
10	Cost/Acre Foot - Maricopa Water District credit	\$ (16)		
11	Total Cost/Acre Foot (Line 8 + Line 9 + Line 10)		\$ 89.00	
12	Annualized Purchase Water Expense (Line 6 x Line 11)		<u>\$ 284,800</u>	

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, page 17

Column [B]: Testimony, All

Column [C]: Column [A] + Column [B]

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	TIER ONE		TIER TWO	
								COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	\$ 10.00	8,000	\$ 10.76	8,000	\$ 8.52	-	\$ 1.78	8,000	\$ 2.24	Infinite
2	Residential 3/4"	\$ 15.00	8,000	\$ 16.14	8,000	\$ 12.78	-	\$ 1.78	8,000	\$ 2.24	Infinite
3	Residential 1"	\$ 25.00	8,000	\$ 26.90	8,000	\$ 21.30	-	\$ 1.78	8,000	\$ 2.24	Infinite
4	Residential 1.5"	\$ 53.00	8,000	\$ 57.02	8,000	\$ 45.15	-	\$ 1.78	8,000	\$ 2.24	Infinite
5	Residential 2"	\$ 80.00	8,000	\$ 86.07	8,000	\$ 68.16	-	\$ 1.78	8,000	\$ 2.24	Infinite
6	Residential 3"	\$ 155.00	8,000	\$ 166.76	8,000	\$ 132.06	-	\$ 1.78	8,000	\$ 2.24	Infinite
7	Residential 4"	\$ 200.00	8,000	\$ 215.17	8,000	\$ 170.41	-	\$ 1.78	8,000	\$ 2.24	Infinite
8	Residential 6"	\$ 400.00	8,000	\$ 430.34	8,000	\$ 340.82	-	\$ 1.78	8,000	\$ 2.24	Infinite
9	Residential 8"	\$ 800.00	8,000	\$ 860.67	8,000	\$ 681.64	-	\$ 1.78	8,000	\$ 2.24	Infinite
10	Commercial 5/8"	\$ 10.00	8,000	\$ 10.76	8,000	\$ 8.52	-	\$ 1.78	8,000	\$ 2.24	Infinite
11	Commercial 3/4"	\$ 15.00	8,000	\$ 16.14	8,000	\$ 12.78	-	\$ 1.78	8,000	\$ 2.24	Infinite
12	Commercial 1"	\$ 25.00	8,000	\$ 26.90	8,000	\$ 21.30	-	\$ 1.78	8,000	\$ 2.24	Infinite
13	Commercial 1.5"	\$ 53.00	8,000	\$ 57.02	8,000	\$ 45.15	-	\$ 1.78	8,000	\$ 2.24	Infinite
14	Commercial 2"	\$ 80.00	8,000	\$ 86.07	8,000	\$ 68.16	-	\$ 1.78	8,000	\$ 2.24	Infinite
15	Commercial 3"	\$ 155.00	8,000	\$ 166.76	8,000	\$ 132.06	-	\$ 1.78	8,000	\$ 2.24	Infinite
16	Commercial 4"	\$ 200.00	8,000	\$ 215.17	8,000	\$ 170.41	-	\$ 1.78	8,000	\$ 2.24	Infinite
17	Commercial 6"	\$ 400.00	8,000	\$ 430.34	8,000	\$ 340.81	-	\$ 1.78	8,000	\$ 2.24	Infinite
18	Commercial 8"	\$ 800.00	8,000	\$ 860.67	8,000	\$ 681.64	-	\$ 1.78	8,000	\$ 2.24	Infinite
19	Pub. Interrupt 2"	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
20	Pub. Interrupt 3"	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
21	Pub. Interrupt 6"	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
22	Pub. Interrupt 8"	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
23	Pub. Interrupt 10"	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
24	Prison 4"	\$ 200.00	-	\$ 215.17	-	\$ 170.41	-	\$ 2.02	Infinite		
25	PF 4"	\$ 30.00	-	\$ 32.28	-	\$ 25.56	-	\$ 1.78	Infinite		
26	PF 6"	\$ 45.00	-	\$ 48.41	-	\$ 38.34	-	\$ 1.78	Infinite		
27	PF 8"	\$ 60.00	-	\$ 64.55	-	\$ 51.12	-	\$ 1.78	Infinite		
28	PF 10"	\$ 120.00	-	\$ 129.10	-	\$ 102.25	-	\$ 1.78	Infinite		
29	PF 12"	\$ 180.00	-	\$ 193.65	-	\$ 153.37	-	\$ 1.78	Infinite		
30	Construction	\$ -	-	\$ -	-	\$ -	-	\$ 1.00	Infinite		
31	Construction/Untreated CAP	\$ -	-	\$ -	-	\$ -	-	\$ 0.50	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES				STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
32	Residential 5/8"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
33	Residential 3/4"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
34	Residential 1"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
35	Residential 1.5"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
36	Residential 2"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
37	Residential 3"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
38	Residential 4"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
39	Residential 6"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
40	Residential 8"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
41	Commercial 5/8"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
42	Commercial 3/4"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
43	Commercial 1"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
44	Commercial 1.5"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
45	Commercial 2"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
46	Commercial 3"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
47	Commercial 4"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
48	Commercial 6"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
49	Commercial 8"	\$ 1.91	8,000	\$ 2.41	Infinite	\$ 1.20	4,000	\$ 1.80	100,000	\$ 2.15	Infinite
50	Pub. Interrupt 2"	\$ 1.00	Infinite			\$ 1.00	Infinite				
51	Pub. Interrupt 3"	\$ 1.00	Infinite			\$ 1.00	Infinite				
52	Pub. Interrupt 6"	\$ 1.00	Infinite			\$ 1.00	Infinite				
53	Pub. Interrupt 8"	\$ 1.00	Infinite			\$ 1.00	Infinite				
54	Pub. Interrupt 10"	\$ 1.00	Infinite			\$ 1.00	Infinite				
55	Prison 4"	\$ 2.17	Infinite			\$ 1.72	Infinite				
56	PF 4"	\$ 1.91	Infinite			\$ 1.20	Infinite				
57	PF 6"	\$ 1.91	Infinite			\$ 1.20	Infinite				
58	PF 8"	\$ 1.91	Infinite			\$ 1.20	Infinite				
59	PF 10"	\$ 1.91	Infinite			\$ 1.20	Infinite				
60	PF 12"	\$ 1.91	Infinite			\$ 1.20	Infinite				
61	Construction	\$ 1.00	Infinite			\$ 1.00	Infinite				
62	Construction/Untreated CAP	Cancelled				Cancelled					

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	7,002	\$ 22.46	5,000	\$ 18.90
2	Residential 3/4"	10,027	\$ 33.78	8,000	\$ 29.24
3	Residential 1"	17,634	\$ 60.82	12,000	\$ 48.20
4	Residential 1.5"	102,940	\$ 279.90	26,000	\$ 107.56
5	Residential 2"	175,037	\$ 468.40	66,500	\$ 225.28
6	Residential 3"	15,667	\$ 186.41	12,000	\$ 178.20
7	Residential 4"	N/A			
8	Residential 6"	N/A			
9	Residential 8"	N/A			
10	Commerical 5/8"	4,561	\$ 18.12	-	\$ 10.00
11	Commerical 3/4"	14,989	\$ 44.90	2,000	\$ 18.56
12	Commerical 1"	22,823	\$ 72.44	9,000	\$ 41.48
13	Commerical 1.5"	89,393	\$ 249.56	62,000	\$ 188.20
14	Commerical 2"	125,151	\$ 356.66	34,000	\$ 152.48
15	Commerical 3"	188,454	\$ 573.46	18,000	\$ 191.64
16	Commerical 4"	N/A			
17	Commerical 6"	1,816,455	\$ 4,465.18	1,763,000	\$ 4,345.44
18	Commerical 8"	N/A			
19	Pub. Interrupt 2"	N/A			
20	Pub. Interrupt 3"	1,612,667	\$ 1,612.67	2,468,500	\$ 2,468.50
21	Pub. Interrupt 6"	8,319,765	\$ 8,319.76	7,000	\$ 7.00
22	Pub. Interrupt 8"	1,995,250	\$ 1,995.25	157,500	\$ 157.50
23	Pub. Interrupt 10"	755,400	\$ 755.40	711,000	\$ 711.00
24	Prison 4"	10,170,500	\$ 20,744.41	10,072,500	\$ 20,546.45
25	PF 4"	-	\$ 30.00	-	\$ 30.00
26	PF 6"	-	\$ 45.00	-	\$ 45.00
27	PF 8"	-	\$ 60.00	-	\$ 60.00
28	PF 10"	N/A			
29	PF 12"	N/A			
30	Construction				
31	Construction/Untreated CAP				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	\$ 24.13	\$ 1.67	7.44%	\$ 20.31	\$ 1.41	7.46%
33	Residential 3/4"	\$ 36.30	\$ 2.52	7.47%	\$ 31.42	\$ 2.18	7.46%
34	Residential 1"	\$ 65.40	\$ 4.58	7.53%	\$ 51.82	\$ 3.62	7.51%
35	Residential 1.5"	\$ 301.10	\$ 21.20	7.57%	\$ 115.68	\$ 8.12	7.55%
36	Residential 2"	\$ 503.91	\$ 35.51	7.58%	\$ 242.34	\$ 17.06	7.57%
37	Residential 3"	\$ 200.52	\$ 14.10	7.57%	\$ 191.68	\$ 13.48	7.56%
38	Residential 4"	N/A					
39	Residential 6"	N/A					
40	Residential 8"	N/A					
41	Commerical 5/8"	\$ 19.47	\$ 1.35	7.47%	\$ 10.76	\$ 0.08	7.60%
42	Commerical 3/4"	\$ 48.26	\$ 3.37	7.50%	\$ 19.96	\$ 1.40	7.54%
43	Commerical 1"	\$ 77.90	\$ 5.46	7.54%	\$ 44.59	\$ 3.11	7.50%
44	Commerical 1.5"	\$ 268.46	\$ 18.90	7.57%	\$ 202.44	\$ 14.24	7.57%
45	Commerical 2"	\$ 383.68	\$ 27.03	7.58%	\$ 164.01	\$ 11.53	7.56%
46	Commerical 3"	\$ 616.94	\$ 43.48	7.58%	\$ 206.14	\$ 14.50	7.57%
47	Commerical 4"	N/A					
48	Commerical 6"	\$ 4,804.00	\$ 338.82	7.59%	\$ 4,675.17	\$ 329.73	7.59%
49	Commerical 8"	N/A					
50	Pub. Interrupt 2"	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
51	Pub. Interrupt 3"	\$ 1,612.67	\$ -	0.00%	\$ 2,468.50	\$ -	0.00%
52	Pub. Interrupt 6"	\$ 8,319.76	\$ -	0.00%	\$ 7.00	\$ -	0.00%
53	Pub. Interrupt 8"	\$ 1,995.25	\$ -	0.00%	\$ 157.50	\$ -	0.00%
54	Pub. Interrupt 10"	\$ 755.40	\$ -	0.00%	\$ 711.00	\$ -	0.00%
55	Prison 4"	\$ 22,285.16	\$ 1,540.75	7.43%	\$ 22,072.50	\$ 1,526.05	7.43%
56	PF 4"	\$ 32.28	\$ 2.28	7.60%	\$ 32.28	\$ 2.28	7.60%
57	PF 6"	\$ 48.41	\$ 3.41	7.58%	\$ 48.41	\$ 3.41	7.58%
58	PF 8"	\$ 64.55	\$ 4.55	7.58%	\$ 64.55	\$ 4.55	7.58%
59	PF 10"	N/A					
60	PF 12"	N/A					
61	Construction						
62	Construction/Untreated CAP						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	\$ 18.72	\$ (3.74)	-16.64%	\$ 15.12	\$ (3.78)	-20.00%
64	Residential 3/4"	\$ 28.43	\$ (5.35)	-15.84%	\$ 24.78	\$ (4.46)	-15.25%
65	Residential 1"	\$ 50.64	\$ (10.18)	-16.74%	\$ 40.50	\$ (7.70)	-15.98%
66	Residential 1.5"	\$ 229.07	\$ (50.83)	-18.16%	\$ 89.55	\$ (18.01)	-16.74%
67	Residential 2"	\$ 407.09	\$ (61.31)	-13.09%	\$ 185.46	\$ (39.82)	-17.68%
68	Residential 3"	\$ 157.86	\$ (28.55)	-15.32%	\$ 151.26	\$ (26.94)	-15.12%
69	Residential 4"	N/A					
70	Residential 6"	N/A					
71	Residential 8"	N/A					
72	Commerical 5/8"	\$ 14.33	\$ (3.79)	-20.92%	\$ 8.52	\$ (1.48)	-14.80%
73	Commerical 3/4"	\$ 37.36	\$ (7.54)	-16.79%	\$ 15.18	\$ (3.38)	-18.21%
74	Commerical 1"	\$ 59.98	\$ (12.46)	-17.20%	\$ 35.10	\$ (6.38)	-15.38%
75	Commerical 1.5"	\$ 203.66	\$ (45.90)	-18.39%	\$ 154.35	\$ (33.85)	-17.99%
76	Commerical 2"	\$ 299.83	\$ (56.83)	-15.93%	\$ 126.96	\$ (25.52)	-16.74%
77	Commerical 3"	\$ 499.84	\$ (73.62)	-12.84%	\$ 162.06	\$ (29.58)	-15.44%
78	Commerical 4"	N/A					
79	Commerical 6"	\$ 4,208.79	\$ (256.39)	-5.74%	\$ 4,093.86	\$ (251.58)	-5.79%
80	Commerical 8"	N/A					
81	Pub. Interrupt 2"	N/A					
82	Pub. Interrupt 3"	\$ 1,612.67	\$ -	0.00%	\$ 2,468.50	\$ -	0.00%
83	Pub. Interrupt 6"	\$ 8,319.76	\$ -	0.00%	\$ 7.00	\$ -	0.00%
84	Pub. Interrupt 8"	\$ 1,995.25	\$ -	0.00%	\$ 157.50	\$ -	0.00%
85	Pub. Interrupt 10"	\$ 755.40	\$ -	0.00%	\$ 711.00	\$ -	0.00%
86	Prison 4"	\$ 17,667.11	\$ (3,077.30)	-14.83%	\$ 17,495.11	\$ (3,051.34)	-14.85%
87	PF 4"	\$ 25.56	\$ (4.44)	-14.80%	\$ 25.56	\$ (4.44)	-14.80%
88	PF 6"	\$ 38.34	\$ (6.66)	-14.80%	\$ 38.34	\$ (6.66)	-14.80%
89	PF 8"	\$ 51.12	\$ (8.88)	-14.80%	\$ 51.12	\$ (8.88)	-14.80%
90	PF 10"	\$ 102.25	\$ -	0.00%	\$ 102.25	\$ -	0.00%
91	PF 12"	\$ 153.37	\$ -	0.00%	\$ 153.37	\$ -	0.00%
92	Construction						
93	Construction/Untreated CAP	Cancelled					

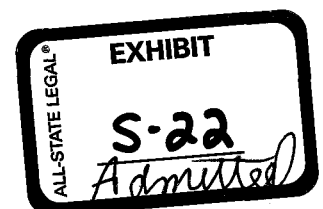
REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 9,837,109	\$ 9,288,446	\$ 9,288,446
2	Adjusted Operating Income/(Loss)	\$ 577,577	\$ 972,534	\$ 972,534
3	Current Rate of Return (L2 / L1)	5.87%	10.47%	10.47%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 762,376	\$ 611,180	\$ 611,180
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 184,799	\$ (361,354)	\$ (361,354)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 300,964	<b>\$ (588,514)</b>	<b>\$ (588,514)</b>
9	Adjusted Test Year Revenue	\$ 4,010,805	\$ 4,010,805	\$ 4,010,805
10	Proposed Annual Revenue (L8 + L9)	\$ 4,311,769	\$ 3,422,291	\$ 3,422,291
11	Required Increase/Decrease in Revenue (%)	7.50%	-14.67%	-14.67%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, & D-1

Columns [B] & [C]: Staff Schedules All-1, DWC-2, DWC-3, & JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 611,180			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 972,534			
20	Required Increase in Operating Income (L18 - L19)		\$ (361,354)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 219,548			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 446,707			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (227,160)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 3,422,291			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (588,514)		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 4,010,805			
31	Operating Expenses Excluding Income Taxes	\$ 2,591,564	\$ -	\$ 3,422,291	
32	Synchronized Interest (L43)	\$ 261,934		\$ 261,934	
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 1,157,306		\$ 568,792	
34	Arizona State Income Tax Rate	6.9680%		6.9680%	
35	Arizona Income Tax (L33 x L34)	\$ 80,641		\$ 39,633	
36	Federal Taxable Income (L33 - L35)	\$ 1,076,665		\$ 529,159	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ 366,066		\$ 179,914	
39	Combined Federal and State Income Tax (L35 + L38)	\$ 446,707		\$ 219,548	
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 9,288,446			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 261,934			

## RATE BASE - ORIGINAL COST

LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS ADJ	[C] STAFF AS ADJUSTED
1 Plant in Service	\$ 41,428,654	\$ 120,074 A	\$ 41,548,728
2 Less: Accumulated Depreciation	2,087,919	-	2,087,919
3 Net Plant in Service	<u>\$ 39,340,735</u>	<u>\$ 120,074</u>	<u>\$ 39,460,809</u>
<u>LESS:</u>			
4 Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5 Less: Accumulated Amortization	-	-	-
6 Net CIAC	<u>1,075,425</u>	-	<u>1,075,425</u>
7 Advances in Aid of Construction (AIAC)	29,093,642	-	29,093,642
8 Customer Deposits	-	-	-
9 Meter Advances	3,296	-	3,296
10 Deferred Income Tax Credits	-	-	-
<u>ADD:</u>			
11 Cash Working Capital	-	-	-
12 Prepayments	-	-	-
13 Supplies Inventory	-	-	-
14 Projected Capital Expenditures	-	-	-
15 Deferred Debits	-	-	-
16 Citizens Acquisition Adjustment	11,045,860	(11,045,860) C	-
17 Original Cost Rate Base	<u>\$ 20,214,232</u>	<u>\$ (10,925,786)</u>	<u>\$ 9,288,446</u>

Adjustments:

A. Per plant adjustments on Schedule DWC-4

C. Per acquisition adjustment on Schedule DWC-4

References:

Column [A]: Company Schedule B-1

Column [B]: Staff Schedule DWC-4

Column [C]: Column [A] + Column [B]

SUA ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
		<u>PLANT IN SERVICE:</u>		Leave Blank	Leave Blank	Leave Blank	Leave Blank		Leave Blank		
1		<u>Intangible</u>									
2	301.00	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	302.00	Franchises	3,827,476	-	-	-	-	-	-	-	3,827,476
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	3,827,476	-	-	-	-	-	-	-	3,827,476
6											
7		<u>Source of Supply</u>									
8	310.00	Land & Land Rights	5,000	-	-	-	-	-	-	-	5,000
9	311.00	Structures & Improvements	93,281	-	-	-	-	118,894	-	-	212,175
10	312.00	Collecting & Impounding Reservoirs	370,979	-	-	-	-	-	-	-	370,979
11	313.00	Lakes, Rivers, Other Intakes	394,971	-	-	-	-	-	-	-	394,971
12	314.00	Wells and Springs	461,497	-	-	-	-	-	-	-	461,497
13		Subtotal Source of Supply	1,325,728	-	-	-	-	118,894	-	-	1,444,622
14											
15		<u>Pumping</u>									
16	320.00	Land & Land Rights	20,000	-	-	-	-	-	-	-	20,000
17	321.00	Structures & Improvements	2,067,878	-	-	-	-	(10,000)	-	-	2,057,878
18	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
19	325.00	Electric Pumping Equipment	9,609,435	-	-	-	-	(998)	-	-	9,608,437
20	326.00	Diesel Pumping Equipment	-	-	-	-	-	-	-	-	-
21	328.10	Gas Engine Pumping Equipment	1,476	-	-	-	-	-	-	-	1,476
22		Subtotal Pumping	11,698,789	-	-	-	-	(10,998)	-	-	11,687,791
23											
24		<u>Water Treatment</u>									
25	330.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
26	331.00	Structures & Improvements	634,556	-	-	-	-	-	-	-	634,556
27	332.00	Water Treatment Equipment	4,375,605	-	-	-	-	2,944	-	-	4,378,549
28		Subtotal Water Treatment	5,010,161	-	-	-	-	2,944	-	-	5,013,105
29											
30		<u>Transmission &amp; Distribution</u>									
31	340.00	Land & Land Rights	-	-	-	-	-	-	-	-	18,469
32	341.00	Structures & Improvements	18,469	-	-	-	-	-	-	-	1,866,969
33	342.00	Distribution Reservoirs & Standpipes	1,866,969	-	-	-	-	15,364	-	-	15,471,434
34	343.00	Transmission & Distribution	15,456,070	-	-	-	-	-	-	-	-
35	344.00	Fire Mains	-	-	-	-	-	-	-	-	773,445
36	345.00	Services	773,445	-	-	-	-	-	-	-	411,258
37	346.00	Meters	411,258	-	-	-	-	-	-	-	618,693
38	348.00	Hydrants	618,693	-	-	-	-	-	-	-	-
39	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
40		Subtotal Transmission & Distribu.	19,144,904	-	-	-	-	15,364	-	-	19,160,268
41											
42		<u>General - Allocated Common Plant</u>									
43	389.00	Land & Land Rights	171	-	-	-	-	-	-	-	171
44	390.00	Structures & Improvements	117,575	-	-	-	-	-	-	-	117,575
45	391.00	Office Furniture and Equipment	60,022	-	-	-	-	(2,147)	-	-	57,875
46	391.10	Computer Equipment	81,095	-	-	-	-	-	-	-	81,095
47	392.00	Transportation Equipment	91,298	-	-	-	-	(1,028)	-	-	90,270
48	393.00	Stores Equipment	1,009	-	-	-	-	-	-	-	1,009
49	394.00	Tools, Shop, & Garage Equipment	19,430	-	-	-	-	(5,000)	-	-	14,430
50	395.00	Laboratory Equipment	7,071	-	-	-	-	(450)	-	-	6,621
51	396.00	Power Operated Equipment	6,724	-	-	-	-	(2,500)	-	-	4,224
52	397.00	Communication Equipment	27,473	-	-	-	-	4,995	-	-	32,468
53	398.00	Miscellaneous Equipment	9,728	-	-	-	-	-	-	-	9,728
54		Subtotal General	421,586	-	-	-	-	(6,130)	-	-	415,456
55											
56	Add:										
57											
58	Less:										
59											
60											
61		Total Plant in Service	\$ 41,428,654	\$ -	\$ -	\$ -	\$ -	\$ 120,074	\$ -	\$ -	\$ 41,548,728
62		Less: Accumulated Depreciation	2,087,919	-	-	-	-	-	-	-	2,087,919
63		Net Plant in Service (L59 - L 60)	\$ 39,340,735	\$ -	\$ -	\$ -	\$ -	\$ 120,074	\$ -	\$ -	\$ 39,460,809
64											
65		<u>LESS:</u>									
66		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67		Less: Accumulated Amortization	-	-	-	-	-	-	-	-	-
68		Net CIAC (L25 - L26)	1,075,425	-	-	-	-	-	-	-	1,075,425
69		Advances in Aid of Construction (AIAC)	29,093,642	-	-	-	-	-	-	-	29,093,642
70		Customer Deposits	-	-	-	-	-	-	-	-	-
71		Meter Advances	3,296	-	-	-	-	-	-	-	3,296
72		Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-
73											
74		<u>ADD:</u>									
75		Cash Working Capital Allowance	-	-	-	-	-	-	-	-	-
76		Prepayments	-	-	-	-	-	-	-	-	-
77		Supplies Inventory	-	-	-	-	-	-	-	-	-
78		Projected Capital Expenditures	-	-	-	-	-	-	-	-	-
79		Deferred Debits	-	-	-	-	-	-	-	-	-
80		Citizens Acquisition Adjustment	11,045,860	-	-	-	-	-	-	(11,045,860)	-
81		Original Cost Rate Base	\$ 20,214,232	\$ -	\$ -	\$ -	\$ -	\$ 120,074	\$ -	\$ (11,045,860)	\$ 9,288,446

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports
2	Plant - unidentified Per Staff Engineering Reports
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision Per Decision No. 60172
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 2,060,418	\$ -	\$ 2,060,418	\$ (588,514)	\$ 1,471,904
3	Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	1,950,387	-	1,950,387	-	1,950,387
5	Total Operating Revenues	\$ 4,010,805	\$ -	\$ 4,010,805	\$ (588,514)	\$ 3,422,291
6	<u>OPERATING EXPENSES:</u>					
7	Salaries & Wages	\$ 585,309	\$ (213,100)	\$ 372,209	\$ -	\$ 372,209
8	Purchased Water	211,055	(49,725)	161,330	-	161,330
9	Purchased Pumping Power	264,489	(2)	264,487	-	264,487
10	Chemicals	95,282	(16,997)	78,285	-	78,285
11	Repairs & Maintenance	130,909	-	130,909	-	130,909
12	Office Supplies & Expense	74,576	(59,408)	15,168	-	15,168
13	Outside Services	27,139	(7,309)	19,830	-	19,830
14	Service Company Charges	472,080	(472,080)	-	-	-
15	Water Testing	1,193	-	1,193	-	1,193
16	Rents	18,568	-	18,568	-	18,568
17	Transportation Expense	-	-	-	-	-
18	Insurance - General Liability	17,095	35,851	52,946	-	52,946
19	Insurance - Health and Life	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	26,471	-	26,471	-	26,471
21	Miscellaneous Operating Expense	172,138	151,989	324,127	-	324,127
22	Depreciation Expense	912,306	(38,169)	874,137	-	874,137
23	Taxes Other Than Income	31,169	47,302	78,471	-	78,471
24	Property Taxes	225,131	(51,698)	173,433	-	173,433
25	Income Tax	168,318	278,389	446,707	(227,159)	219,548
26						
27	Total Operating Expenses	\$ 3,433,228	\$ (394,957)	\$ 3,038,271	\$ (227,159)	\$ 2,811,112
28	Operating Income (Loss)	\$ 577,577	\$ 394,957	\$ 972,534	\$ (361,355)	\$ 611,179

References:

Column [A]: Company Schedule C-1

Column [B]: Schedule AII-2

Column [C]: Column [A] + Column [B]

Column [D]: Schedules DWC-1 and DWC-2

Column [E]: Column [C] + Column [D]

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM WATER  
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Test Year Ended December 31, 2001

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] ADJ #9	[K] STAFF ADJUSTED
1	REVENUES:											
2	Metered Water Sales	\$ 2,060,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,060,418
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	1,950,387	-	-	-	-	-	-	-	-	-	1,950,387
5	Total Operating Revenues	\$ 4,010,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,010,805
6	OPERATING EXPENSES:											
7	Salaries & Wages	\$ 585,309	\$ -	\$ -	\$ (216,313)	\$ 372,209	\$ (368,996)	\$ -	\$ -	\$ -	\$ -	\$ 372,209
8	Purchased Water	211,055	-	-	-	-	-	-	-	-	(49,725)	161,330
9	Purchased Pumping Power	264,489	(2)	-	-	-	-	-	-	-	-	264,487
10	Chemicals	95,282	-	-	(16,997)	-	-	-	-	-	-	78,285
11	Repairs & Maintenance	130,909	-	-	(63,385)	-	-	-	-	-	-	130,909
12	Office Supplies & Expense	74,576	3,977	-	-	-	-	-	-	-	-	15,168
13	Outside Services	27,139	(7,309)	-	-	-	-	-	-	-	-	19,830
14	Service Company Charges	472,080	-	(472,080)	-	-	-	-	-	-	-	-
15	Water Testing	1,193	-	-	-	-	-	-	-	-	-	1,193
16	Rents	18,568	-	-	-	-	-	-	-	-	-	18,568
17	Transportation Expense	-	-	-	-	-	-	-	-	-	-	-
18	Insurance - General Liability	17,095	35,851	-	-	-	-	-	-	-	-	52,946
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-	-
20	Regulatory Comm. Exp. - Rate Case	26,471	-	-	-	-	-	-	-	-	-	26,471
21	Miscellaneous Operating Expense	172,138	156,289	-	(4,300)	-	-	-	-	-	-	324,127
22	Depreciation Expense	912,306	-	-	-	-	-	(38,169)	-	-	-	874,137
23	Taxes Other Than Income	31,169	-	-	-	-	(31,169)	-	-	-	-	78,471
24	Property Taxes	225,131	-	-	-	78,471	-	-	(51,698)	-	-	173,433
25	Income Tax	168,318	-	-	-	-	-	-	-	278,389	-	446,707
26	Total Operating Expenses	\$ 3,433,228	\$ 188,806	\$ (472,080)	\$ (300,995)	\$ 450,680	\$ (400,165)	\$ (38,169)	\$ (51,698)	\$ 278,389	\$ (49,725)	\$ 3,038,271
27	Operating Income (Loss)	\$ 577,577	\$ (188,806)	\$ 472,080	\$ 300,995	\$ (450,680)	\$ 400,165	\$ 38,169	\$ 51,698	\$ (278,389)	\$ 49,725	\$ 972,534

ADJ #	References:
1	Citizens. Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes
9	Purchased Water (Ak-Chin)

**OPERATING INCOME ADJUSTMENT #1 - CITIZENS' CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ 2	1b	\$ (2)
3	Chemicals	\$ -	1c	\$ -
4	Repairs & Miantenance	\$ -	1d	\$ -
5	Office Supplies & Expense	\$ (3,977)	1e	\$ 3,977
6	Outside Services	\$ 7,309	1f	\$ (7,309)
7	Rents	\$ -	1g	\$ -
8	Insurance Expense	\$ (35,851)	1h	\$ 35,851
9	Miscellaneous Expense	\$ (156,289)	1i	\$ 156,289
10	Total Adjustments	<u>\$ (188,806)</u>		<u>\$ 188,806</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 12  
Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM WATER  
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Test Year Ended December 31, 2001

SCHEDULE AII-4

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE		[A]	[B]
NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENT
1	Service Company Charges	\$ 472,080	\$ (472,080)
2	Total Adjustments	<u>\$ 472,080</u>	<u>\$ (472,080)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 12 and 13  
Stephenson, Direct, page 16

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SCHEDULE AII-5

OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 216,313	3a	\$ (216,313)
2	Office Expense	\$ 63,385	3b	\$ (63,385)
3	Chemicals	\$ 16,997	3c	\$ (16,997)
4	Miscellaneous	\$ 4,300	3d	\$ (4,300)
5	Total Adjustment	<u>\$ 300,995</u>		<u>\$ (300,995)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ (372,209)	4a	\$ 372,209
2	Payroll Taxes	\$ (78,471)	4b	\$ 78,471
3	Total Adjustments	<u>\$ (450,680)</u>		<u>\$ 450,680</u>
4	Chemicals			

**REFERENCES:**

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 13

Column [B]: Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM WATER  
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Test Year Ended December 31, 2001

SCHEDULE AII-7

OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 368,996	5a	\$ (368,996)
2	Payroll Taxes	\$ 31,169	5b	\$ (31,169)
3	Total Adjustments	<u>\$ 400,165</u>		<u>\$ (400,165)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ -	0.00%	\$ -
3	Franchises	\$ 3,827,476	0.00%	\$ -
4	Miscellaneous Intangibles	\$ -	0.00%	\$ -
5	Subtotal Intangible	<u>\$ 3,827,476</u>		<u>\$ -</u>
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 5,000	0.00%	\$ -
9	Structures and Improvements	\$ 212,175	2.50%	\$ 5,304
10	Collecting and Impounding Res.	\$ 370,979	2.50%	\$ -
11	Lakes, Rivers, Other Intakes	\$ 394,971	2.50%	\$ -
12	Wells and Springs	\$ 461,497	2.52%	\$ 11,630
13	Subtotal Source of Supply	<u>\$ 1,444,622</u>		<u>\$ 16,934</u>
14				
15	<u>Pumping</u>			
16	Land and Land Rights	\$ 20,000	0.00%	\$ -
17	Structures and Improvements	\$ 2,057,878	1.67%	\$ 34,367
18	Other Power Production	\$ -	0.00%	\$ -
19	Electric Pumping Equipment	\$ 9,608,437	4.42%	\$ 424,693
20	Diesel Pumping Equipment	\$ -	4.42%	\$ -
21	Gas Engine Pumping Equipment	\$ 1,476	4.42%	\$ 65
22	Subtotal Pumping	<u>\$ 11,687,791</u>		<u>\$ 459,125</u>
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ -	0.00%	\$ -
26	Structures and Improvements	\$ 634,556	1.67%	\$ 10,597
27	Water Treatment Equipment	\$ 4,378,549	4.00%	\$ 175,142
28	Subtotal Water Treatment	<u>\$ 5,013,105</u>		<u>\$ 185,739</u>
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ 18,469	0.00%	\$ -
32	Structures and Improvements	\$ 1,866,969	0.00%	\$ -
33	Distribution, Reservoirs, & ST	\$ 15,471,434	1.67%	\$ 258,373
34	Transmission and Distribution	\$ -	1.53%	\$ -
35	Fire Mains	\$ 773,445	0.00%	\$ -
36	Services	\$ 411,258	2.48%	\$ 10,199
37	Meters	\$ 618,693	2.51%	\$ 15,529
38	Hydrants	\$ -	2.00%	\$ -
39	Other Transmission & Distribution	\$ -	0.00%	\$ -
40	Subtotal Transmission and Distribution	<u>\$ 19,160,268</u>		<u>\$ 284,101</u>
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 171	0.00%	\$ -
44	Structures and Improvements	\$ 117,575	1.68%	\$ 1,976
45	Office Furniture and Equipment	\$ 57,875	4.55%	\$ 2,631
46	Computer Equipment	\$ 81,095	4.55%	\$ 3,686
47	Transportation Equipment	\$ 90,270	25.00%	\$ 22,568
48	Stores Equipment	\$ 1,009	3.92%	\$ 40
49	Tools, Shop and Garage	\$ 14,430	4.14%	\$ 597
50	Laboratory Equipment	\$ 6,621	3.71%	\$ 246
51	Power Operated Equipment	\$ 4,224	5.14%	\$ 217
52	Communication Equipment	\$ 32,468	10.28%	\$ 3,337
53	Miscellaneous Equipment	\$ 9,728	4.98%	\$ 484
54	Subtotal General	<u>\$ 415,466</u>		<u>\$ 35,781</u>
55				
56	TOTALS	<u>\$ 41,548,728</u>		<u>\$ 981,680</u>
59	Amortization of Deferred Regulatory Assets	\$ -	2.45%	\$ -
60	Less: Amotization of Contributions	<u>\$ 1,075,425</u>	10.00%	<u>\$ (107,542)</u>
61	Staff Recommended Depreciation Expense			\$ 874,137
62	Company Proposed depreciation Expense			\$ 912,306
63	Staff Adjustment			<u>\$ (38,169)</u>

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE

<u>NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1	Staff Adjusted Test Year Revenues - 2001	\$ 4,010,805
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 8,021,610
4	Staff Recommended Revenue	\$ 3,422,291
5	Subtotal (Line 4 + Line 5)	\$ 11,443,901
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 3,814,634
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 7,629,267
10	Plus: 10% of CWIP - 2001	\$ -
11	Less: Net Book Value of Licensed Vehicles	\$ 63,098
	Less: Net Book Value of Licensed Vehicles - Pro Forma	\$ 10,600
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 7,555,569.33
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 1,888,892
15	Composite Property Tax Rate	5.57724%
16	Staff Proposed Property Tax Expense (Line 14 x Line 15)	\$ 105,348
17	Company Proposed Property Tax Expense	\$ 157,046
18	Staff Adjustment (Line 16 - Line 17)	\$ (51,698)

**OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ 168,318	\$ 278,389	\$ 446,707
2	Total	\$ 168,318	\$ 278,389	\$ 446,707

REFERENCES:

Column [A]: Company, Schedule C-1, page 1  
Company, Schedule C-2, page 1  
Company, Schedule C-3, page 1

Column [B]: Testimony, All  
Schedule DWC-2

Column [C]: Column [A] + Column [B]

**OPERATING ADJUSTMENT #9 - PURCHASED WATER (AK-CHIN)**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Water Purchase Expense	\$ 211,055	\$ (49,725)	\$ 161,330
2	Total	<u>\$ 211,055</u>	<u>\$ (49,725)</u>	<u>\$ 161,330</u>
3				
4				
5	<u>CALCULATION OF ANNUALIZED PURCHASE WATER EXPENSE - 2001</u>			
6	Quantity Ordered (Acre Foot)	3,810		
7	Less 4th quarter Change	(394)		
8	Less Del Webb Portion	<u>(934)</u>		
9	Actual Used in 2001	2,482		
10	Cost /Acre Foot - 2002	<u>\$ 65</u>		
11	Annualized Purchase Water Expense	<u>\$ 161,330</u>		

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 18  
Bourassa, Direct, page 17

Column [B]:

Testimony, All

Column [C]

Column [A] + Column [B]

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT RATES									
		PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	\$ 16.00	-	\$ 18.70	-	\$ 11.45	-	\$ 2.00	Infinite		
2	Residential 3/4"	\$ 16.00	-	\$ 18.70	-	\$ 11.45	-	\$ 2.00	Infinite		
3	Residential 1"	\$ 32.00	-	\$ 37.41	-	\$ 22.91	-	\$ 2.00	Infinite		
4	Residential 1.5"	\$ 64.00	-	\$ 74.82	-	\$ 45.81	-	\$ 2.00	Infinite		
5	Residential 2"	\$ 80.00	-	\$ 93.52	-	\$ 57.27	-	\$ 2.00	Infinite		
6	Commercial 3/4"	\$ 16.00	-	\$ 18.70	-	\$ 11.45	-	\$ 2.00	Infinite		
7	Commercial 1"	\$ 32.00	-	\$ 37.41	-	\$ 22.91	-	\$ 2.00	Infinite		
8	Commercial 1.5"	\$ 64.00	-	\$ 74.82	-	\$ 45.81	-	\$ 2.00	Infinite		
9	Commercial 2"	\$ 80.00	-	\$ 93.52	-	\$ 57.27	-	\$ 2.00	Infinite		
10	Commercial 3"	\$ 160.00	-	\$ 187.04	-	\$ 114.54	-	\$ 2.00	Infinite		
11	Commercial 4"	\$ 200.00	-	\$ 233.80	-	\$ 143.17	-	\$ 2.00	Infinite		
12	Commercial 6"	\$ 250.00	-	\$ 292.25	-	\$ 178.96	-	\$ 2.00	Infinite		
13	Commercial 8"	\$ -	-	\$ 1,496.00	-	\$ 1,070.91	-	\$ 2.00	Infinite		
14	Irrigation 1.5"	\$ -	-	\$ -	-	\$ -	-	\$ 0.62	Infinite		
15	Irrigation 2"	\$ -	-	\$ -	-	\$ -	-	\$ 0.62	Infinite		
16	Irrigation 3"	\$ -	-	\$ -	-	\$ -	-	\$ 0.62	Infinite		
17	Irrigation 4"	\$ -	-	\$ -	-	\$ -	-	\$ 0.62	Infinite		
18	Irrigation 8"	\$ -	-	\$ -	-	\$ -	-	\$ 0.62	Infinite		
19	Pub. Interrupt 2"	\$ -	-	\$ -	-	\$ -	-	\$ 2.16	Infinite		
20	Pub. Interrupt 3"	\$ -	-	\$ -	-	\$ -	-	\$ 2.16	Infinite		
21	Pub. Interrupt 6"	\$ -	-	\$ -	-	\$ -	-	\$ 2.16	Infinite		
22	Pub. Interrupt 10"	\$ -	-	\$ -	-	\$ -	-	\$ 2.16	Infinite		
23	PF 3"	\$ 70.00	-	\$ 81.83	-	\$ 50.11	-	Flat Rates	Infinite		
24	PF 4"	\$ 90.00	-	\$ 105.21	-	\$ 64.43	-	Flat Rates	Infinite		
25	PF 6"	\$ 135.00	-	\$ 157.82	-	\$ 96.64	-	Flat Rates	Infinite		
26	PF 8"	\$ 180.00	-	\$ 210.42	-	\$ 128.85	-	Flat Rates	Infinite		
27	PF 10"	\$ 360.00	-	\$ 420.84	-	\$ 257.71	-	Flat Rates	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES				STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
29	Residential 5/8"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
30	Residential 3/4"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
31	Residential 1"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
32	Residential 1.5"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
33	Residential 2"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
34	Commercial 3/4"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
35	Commercial 1"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
36	Commercial 1.5"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
37	Commercial 2"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
38	Commercial 3"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
39	Commercial 4"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
40	Commercial 6"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
41	Commercial 8"	\$ 2.34	Infinite			\$ 0.88	4,000	\$ 1.32	100,000	\$ 1.57	Infinite
42	Irrigation 1.5"	\$ 0.62	Infinite			\$ 0.62	Infinite				
43	Irrigation 2"	\$ 0.62	Infinite			\$ 0.62	Infinite				
44	Irrigation 3"	\$ 0.62	Infinite			\$ 0.62	Infinite				
45	Irrigation 4"	\$ 0.62	Infinite			\$ 0.62	Infinite				
46	Irrigation 8"	\$ 0.62	Infinite			\$ 0.62	Infinite				
47	Pub. Interrupt 2"	\$ 2.16	Infinite			\$ 2.16	Infinite				
48	Pub. Interrupt 3"	\$ 2.16	Infinite			\$ 2.16	Infinite				
49	Pub. Interrupt 6"	\$ 2.16	Infinite			\$ 2.16	Infinite				
50	Pub. Interrupt 10"	\$ 2.16	Infinite			\$ 2.16	Infinite				
51	PF 3"	Flat Rates	Infinite			Flat Rates	Infinite				
52	PF 4"	Flat Rates	Infinite			Flat Rates	Infinite				
53	PF 6"	Flat Rates	Infinite			Flat Rates	Infinite				
54	PF 8"	Flat Rates	Infinite			Flat Rates	Infinite				
55	PF 10"	Flat Rates	Infinite			Flat Rates	Infinite				

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	10,212	\$ 36.42	7,000	\$ 30.00
2	Residential 3/4"	7,753	\$ 31.51	7,000	\$ 30.00
3	Residential 1"	8,719	\$ 49.44	7,000	\$ 46.00
4	Residential 1.5"	7,361	\$ 78.72	5,000	\$ 74.00
5	Residential 2"	168,705	\$ 417.41	83,000	\$ 246.00
6	Commerical 3/4"	3,727	\$ 23.45	-	\$ 16.00
7	Commerical 1"	107,951	\$ 247.90	-	\$ 32.00
8	Commerical 1.5"	263,879	\$ 591.76	170,000	\$ 404.00
9	Commerical 2"	130,084	\$ 340.17	50,000	\$ 180.00
10	Commerical 3"	201,964	\$ 563.93	-	\$ 160.00
11	Commerical 4"	N/A			
12	Commerical 6"	N/A			
13	Commerical 8"	N/A			
14	Irrigation 1.5"		\$ 4,521		
15	Irrigation 2"		\$ 54,500		
16	Irrigation 3"		\$ 29,730		
17	Irrigation 4"		\$ 54,962		
18	Irrigation 8"		\$ 64,899		
19	Pub. Interrupt 2"	-	\$ -	-	\$ -
20	Pub. Interrupt 3"	1,103,200	\$ 2,382.91	-	\$ -
21	Pub. Interrupt 6"	2,364	\$ 5.11	1,000	\$ 2.16
22	Pub. Interrupt 10"	776,818	\$ 1,677.93	822,000	\$ 1,775.52
23	PF 3"				
24	PF 4"	-	\$ 90.00	-	\$ 90.00
25	PF 6"	-	\$ 135.00	-	\$ 135.00
26	PF 8"				
27	PF 10"				
28	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
29	Residential 5/8"	\$ 42.58	\$ 6.15	16.89%	\$ 35.07	\$ 5.07	16.89%
30	Residential 3/4"	\$ 36.83	\$ 5.32	16.89%	\$ 35.07	\$ 5.07	16.89%
31	Residential 1"	\$ 57.80	\$ 8.36	16.90%	\$ 53.78	\$ 7.78	16.90%
32	Residential 1.5"	\$ 92.03	\$ 13.31	16.91%	\$ 86.51	\$ 12.51	16.91%
33	Residential 2"	\$ 487.95	\$ 70.54	16.90%	\$ 287.57	\$ 41.57	16.90%
34	Commerical 3/4"	\$ 27.41	\$ 3.96	16.88%	\$ 18.70	\$ 2.70	16.88%
35	Commerical 1"	\$ 289.90	\$ 41.90	16.90%	\$ 37.41	\$ 5.41	16.91%
36	Commerical 1.5"	\$ 691.77	\$ 100.01	16.90%	\$ 472.28	\$ 68.28	16.90%
37	Commerical 2"	\$ 397.66	\$ 57.49	16.90%	\$ 210.42	\$ 30.42	16.90%
38	Commerical 3"	\$ 659.23	\$ 95.30	16.90%	\$ 187.04	\$ 27.04	16.90%
39	Commerical 4"	N/A					
40	Commerical 6"	N/A					
41	Commerical 8"	N/A					
42	Irrigation 1.5"	\$ 4,521			\$ -	\$ -	0.00%
43	Irrigation 2"	\$ 54,500			\$ -	\$ -	0.00%
44	Irrigation 3"	\$ 29,730			\$ -	\$ -	0.00%
45	Irrigation 4"	\$ 54,962			\$ -	\$ -	0.00%
46	Irrigation 8"	\$ 64,899			\$ -	\$ -	0.00%
47	Pub. Interrupt 2"	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
48	Pub. Interrupt 3"	\$ 2,382.91	\$ -	0.00%	\$ -	\$ -	0.00%
49	Pub. Interrupt 6"	\$ 5.11	\$ -	0.00%	\$ 2.16	\$ -	0.00%
50	Pub. Interrupt 10"	\$ 1,677.93	\$ -	0.00%	\$ 1,775.52	\$ -	0.00%
51	PF 3"	N/A					
52	PF 4"	\$ 105.21	\$ 15.21	16.90%	\$ 105.21	\$ 15.21	16.90%
53	PF 6"	\$ 157.82	\$ 22.82	16.90%	\$ 157.82	\$ 22.82	16.90%
54	PF 8"	N/A					
55	PF 10"	N/A					
56	Intentionally left blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
57	Residential 5/8"	\$ 23.17	\$ (13.25)	-36.38%	\$ 18.93	\$ (11.07)	-36.90%
58	Residential 3/4"	\$ 19.92	\$ (11.59)	-36.77%	\$ 18.93	\$ (11.07)	-36.90%
59	Residential 1"	\$ 32.66	\$ (16.78)	-33.94%	\$ 30.39	\$ (15.61)	-33.94%
60	Residential 1.5"	\$ 53.77	\$ (24.95)	-31.70%	\$ 50.65	\$ (23.35)	-31.55%
61	Residential 2"	\$ 295.38	\$ (122.03)	-29.24%	\$ 165.07	\$ (80.93)	-32.90%
62	Commerical 3/4"	\$ 14.73	\$ (8.72)	-37.19%	\$ 11.45	\$ (4.55)	-28.44%
63	Commerical 1"	\$ 165.63	\$ (82.27)	-33.19%	\$ 22.91	\$ (9.09)	-28.41%
64	Commerical 1.5"	\$ 433.34	\$ (158.42)	-26.77%	\$ 285.95	\$ (118.05)	-29.22%
65	Commerical 2"	\$ 234.74	\$ (105.43)	-30.99%	\$ 121.51	\$ (58.49)	-32.49%
66	Commerical 3"	\$ 404.86	\$ (159.07)	-28.21%	\$ 114.54	\$ (45.46)	-28.41%
67	Commerical 4"	NOT USED					
68	Commerical 6"	NOT USED					
69	Commerical 8"	NOT USED					
70	Irrigation 1.5" (RWGN)	\$ 4,521	-				
71	Irrigation 2" (RWGN)	\$ 54,500	-				
72	Irrigation 3" (RWGN)	\$ 29,730	-				
73	Irrigation 4" (RWCN)	\$ 54,962	-				
74	Irrigation 8" (RWGN)	\$ 64,899	-				
75	Pub. Interrupt 2" (DWPI)	NOT USED					
76	Pub. Interrupt 3" (DWPI)	\$ 56,644	-	0.00%			
77	Pub. Interrupt 6" (DWPI)	\$ 56.16	-	0.00%			
78	Pub. Interrupt 10" (DWPI)	\$ 20,233	-	0.00%			
79	PF 3" (DFL)	NOT USED					
80	PF 4" (DFL)	\$ 64.43	\$ (25.57)	-28.42%	\$ -	-	0.00%
81	PF 6" (DFL)	\$ 96.64	\$ (38.36)	-28.42%	\$ -	-	0.00%
82	PF 8" (DFL)	NOT USED					
83	PF 10" (DFL)	NOT USED					
84	Intentionally left blank						

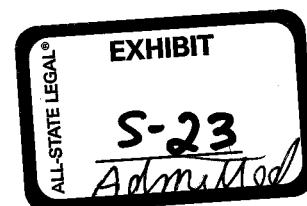
REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 2,853,742	\$ 2,746,928	\$ 2,746,928
2	Adjusted Operating Income/(Loss)	\$ (48,855)	\$ 225,868	\$ 225,868
3	Current Rate of Return (L2 / L1)	-1.71%	8.22%	8.22%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 221,165	\$ 180,748	\$ 180,748
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 270,020	\$ (45,120)	\$ (45,120)
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 439,755	<b>\$ (73,485)</b>	<b>\$ (73,485)</b>
9	Adjusted Test Year Revenue	\$ 1,866,546	\$ 1,866,546	\$ 1,866,546
10	Proposed Annual Revenue (L8 + L9)	\$ 2,306,301	\$ 1,793,061	\$ 1,793,061
11	Required Increase/Decrease in Revenue (%)	23.56%	-3.94%	-3.94%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, & D-1

Columns [B] & [C]: Staff Schedules All-1, DWC-2, DWC-3, & JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 180,748			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 225,868			
20	Required Increase in Operating Income (L18 - L19)		\$ (45,120)		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 64,928			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ 93,293			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ (28,364)		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 1,793,061			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ (73,485)		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 1,866,546		STAFF Recommended \$ 1,793,061	
31	Operating Expenses Excluding Income Taxes	\$ 1,547,385	\$ -	\$ 1,547,385	
32	Synchronized Interest (L43)	\$ 77,463		\$ 77,463	
33	Arizona Taxable Income (L30 - L31 - L32)	\$ 241,698		\$ 168,213	
34	Arizona State Income Tax Rate	6.9680%		6.9680%	
35	Arizona Income Tax (L33 x L34)	\$ 16,842		\$ 11,721	
36	Federal Taxable Income (L33 - L35)	\$ 224,856		\$ 156,492	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ 76,451		\$ 53,207	
39	Combined Federal and State Income Tax (L35 + L38)	\$ 93,293		\$ 64,928	
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 2,746,928			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 77,463			

**RATE BASE - ORIGINAL COST**

LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 23,053,411	\$ 32 A	\$ 23,053,443
2	Less: Accumulated Depreciation	789,221	-	789,221
3	Net Plant in Service	<u>\$ 22,264,190</u>	<u>\$ 32</u>	<u>\$ 22,264,222</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	<u>472,196</u>	-	<u>472,196</u>
7	Advances in Aid of Construction (AIAC)	19,045,098	-	19,045,098
8	Customer Deposits	-	-	-
9	Meter Advances	-	-	-
10	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
11	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Tolleson Trickling Filter	-	-	-
16	Citizens Acquisition Adjustment	6,134,972	(6,134,972) C	-
17	Original Cost Rate Base	<u>\$ 8,881,868</u>	<u>\$ (6,134,940)</u>	<u>\$ 2,746,928</u>

Adjustments:

A. Per plant adjustments on Schedule DWC-4

C. Per acquisition adjustment on Schedule DWC-4

References:

Column [A]: Company Schedule B-1

Column [B]: Staff Schedule DWC-4

Column [C]: Column [A] + Column [B]

**ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
		<u>PLANT IN SERVICE:</u>		Leave Blank	Leave Blank	Leave Blank	Leave Blank		Leave Blank		
1		Intangible									
2	301.00	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	302.00	Franchises	251,928	-	-	-	-	-	-	-	251,928
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	251,928	-	-	-	-	-	-	-	251,928
6											
7		<u>Treatment and Discharge</u>									
8	310.00	Land & Land Rights	336,560	-	-	-	-	-	-	-	336,560
9	311.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
10	312.00	Preliminary Treatment	823,719	-	-	-	-	-	-	-	823,719
11	313.00	Primary Treatment Equipment	-	-	-	-	-	-	-	-	-
12	314.00	Secondary Treatment Equipment	2,062,401	-	-	-	-	-	-	-	2,062,401
13	315.00	Tertiary Equipment	8,731,796	-	-	-	-	-	-	-	8,731,796
14	316.00	Disinfection Equipment	891,776	-	-	-	-	-	-	-	891,776
15	317.00	Effluent Lift Station E	813,269	-	-	-	-	-	-	-	813,269
16	318.00	Outfall Line	-	-	-	-	-	-	-	-	-
17	319.00	Sludge, Treatment & Distribution	-	-	-	-	-	-	-	-	-
18	321.00	Influent Lift Station	5,000	-	-	-	-	1,208	-	-	6,208
20	322.00	General Treatment Equipment	88,108	-	-	-	-	2,463	-	-	90,571
13		Subtotal Treatment & Discharge	13,752,629	-	-	-	-	3,671	-	-	13,756,300
14											
15		<u>Collection and Influent</u>									
16	340.00	Land & Land Rights	-	-	-	-	-	-	-	-	-
17	341.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
18	342.00	Collection System Lift	140,048	-	-	-	-	4,940	-	-	144,988
19	343.00	Collection Mains	7,425,125	-	-	-	-	-	-	-	7,425,125
20	344.00	Force Mains	1,918	-	-	-	-	-	-	-	1,918
21	345.00	Discharge Services	1,170,937	-	-	-	-	-	-	-	1,170,937
21	348.00	Manholes	-	-	-	-	-	-	-	-	-
22		Subtotal Collection and Influent	8,736,028	-	-	-	-	4,940	-	-	8,742,968
23											
42		<u>General - Allocated Common Plant</u>									
43	389.00	Land & Land Rights	4,333	-	-	-	-	(4,200)	-	-	133
44	390.00	Structures & Improvements	91,499	-	-	-	-	1,379	-	-	92,878
45	391.00	Office Furniture and Equipment	46,755	-	-	-	-	(2,842)	-	-	43,913
46	391.10	Computer Equipment	69,974	-	-	-	-	-	-	-	69,974
47	392.00	Transportation Equipment	49,105	-	-	-	-	-	-	-	49,105
48	393.00	Stores Equipment	785	-	-	-	-	-	-	-	785
49	394.00	Tools, Shop, & Garage Equipment	16,457	-	-	-	-	(5,227)	-	-	11,230
50	395.00	Laboratory Equipment	5,284	-	-	-	-	(1,727)	-	-	3,557
51	396.00	Power Operated Equipment	3,288	-	-	-	-	-	-	-	3,288
52	397.00	Communication Equipment	15,776	-	-	-	-	4,038	-	-	19,814
53	398.00	Miscellaneous Equipment	7,570	-	-	-	-	-	-	-	7,570
54		Subtotal General	310,826	-	-	-	-	(8,579)	-	-	302,247
55											
56	Add:										
57											
58	Less:										
59											
60											
61		Total Plant in Service	\$ 23,053,411	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ -	\$ 23,053,443
62		Less: Accumulated Depreciation	789,221	-	-	-	-	-	-	-	789,221
63		Net Plant in Service (L59 - L 60)	\$ 22,264,190	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ -	\$ 22,264,222
64											
65		<u>LESS:</u>									
66		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67		Less: Accumulated Amortization	-	-	-	-	-	-	-	-	-
68		Net CIAC (L25 - L26)	472,196	-	-	-	-	-	-	-	472,196
69		Advances in Aid of Construction (AIAC)	19,045,098	-	-	-	-	-	-	-	19,045,098
70		Customer Deposits	-	-	-	-	-	-	-	-	-
71		Meter Advances	-	-	-	-	-	-	-	-	-
72		Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-
73											
74		<u>ADD:</u>									
75		Cash Working Capital Allowance	-	-	-	-	-	-	-	-	-
76		Prepayments	-	-	-	-	-	-	-	-	-
77		Supplies Inventory	-	-	-	-	-	-	-	-	-
78		Projected Capital Expenditures	-	-	-	-	-	-	-	-	-
79		Deferred Debits	-	-	-	-	-	-	-	-	-
80		Tollison Trickling Filter	-	-	-	-	-	-	-	-	-
81		Citizens Acquisition Adjustment	6,134,972	-	-	-	-	-	-	(6,134,972)	-
82		Original Cost Rate Base	\$ 8,881,868	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ (6,134,972)	\$ 2,746,928

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports
2	Plant - unidentified Per Staff Engineering Reports
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3
4	Plant - removed by previous decision Per Decision No. 60172
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Flat Rate Revenues	\$ 880,474	\$ -	\$ 880,474	\$ (73,485)	\$ 806,989
3	Measured Revenues	-	-	-	-	-
4	Other Wastewater Revenues	986,072	-	986,072	-	986,072
5	Total Operating Revenues	\$ 1,866,546	\$ -	\$ 1,866,546	\$ (73,485)	\$ 1,793,061
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 317,956	\$ (178,644)	\$ 139,312	\$ -	\$ 139,312
9	Purchased Wastewater Treatment	19,925	-	19,925	-	19,925
10	Purchased Power	5,714	55	5,769	-	5,769
11	Fuel for Power Production	-	-	-	-	-
12	Chemicals	-	-	-	-	-
13	Materials and Supplies	(1,053)	-	(1,053)	-	(1,053)
14	Repairs & Maintenance	-	1,053	1,053	-	1,053
15	Office Supplies & Expense	72,565	(28,040)	44,525	-	44,525
16	Outside Services	26,544	(1,390)	25,154	-	25,154
17	Service Company Charges	287,577	(287,577)	-	-	-
18	Water Testing	-	-	-	-	-
19	Rents	8,308	1,331	9,639	-	9,639
20	Transportation Expense	-	-	-	-	-
21	Insurance - General Liability	(3,612)	5,273	1,661	-	1,661
22	Insurance -Health and Life	-	-	-	-	-
23	Regulatory Comm. Exp. - Rate Case	12,319	-	12,319	-	12,319
24	Miscellaneous Operating Expense	241,357	67,299	308,656	-	308,656
25	Depreciation Expense	876,022	(10,693)	865,329	-	865,329
26	Taxes Other Than Income	17,520	(4,073)	13,447	-	13,447
27	Property Taxes	121,472	(19,823)	101,649	-	101,649
28	Income Tax	(87,213)	180,506	93,293	(28,364)	64,929
29	Tolleson Wastewater User Fees	-	-	-	-	-
30						
31	Total Operating Expenses	\$ 1,915,401	\$ (274,723)	\$ 1,640,678	\$ (28,364)	\$ 1,612,313
32	Operating Income (Loss)	\$ (48,855)	\$ 274,723	\$ 225,868	\$ (45,121)	\$ 180,748

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule All-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM/AGUA FRIA WASTEWATER  
 Docket No. WS-01303A-02-0867 et al.  
 Test Year Ended December 31, 2001

## SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
1	REVENUES:										
2	Flat Rate Revenues	\$ 880,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 880,474
3	Measured Revenues		-	-	-	-	-	-	-	-	\$
4	Other Wastewater Revenues	986,072	-	-	-	-	-	-	-	-	\$ 986,072
5	Total Operating Revenues	\$ 1,866,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,866,546
6											
7	OPERATING EXPENSES:										
8	Salaries & Wages	\$ 317,956	\$ -	\$ -	\$ (108,156)	\$ 139,312	\$ (209,800)	\$ -	\$ -	\$ -	\$ 139,312
9	Purchased Wastewater Treatment	19,925	-	-	-	-	-	-	-	-	\$ 19,925
10	Purchased Power	5,714	55	-	-	-	-	-	-	-	\$ 5,769
11	Fuel for Power Production	-	-	-	-	-	-	-	-	-	\$ -
12	Chemicals	-	-	-	-	-	-	-	-	-	\$ -
13	Materials and Supplies	(1,053)	-	-	-	-	-	-	-	-	\$ (1,053)
14	Repairs & Maintenance	-	1,053	-	-	-	-	-	-	-	\$ 1,053
15	Office Supplies & Expense	72,565	1,251	-	(29,291)	-	-	-	-	-	\$ 44,525
16	Outside Services	26,544	(1,390)	-	-	-	-	-	-	-	\$ 25,154
17	Service Company Charges	287,577	-	(287,577)	-	-	-	-	-	-	\$ -
18	Water Testing	-	-	-	-	-	-	-	-	-	\$ -
19	Rents	8,308	1,331	-	-	-	-	-	-	-	\$ 9,639
20	Transportation Expense	-	-	-	-	-	-	-	-	-	\$ -
21	Insurance - General Liability	(3,612)	10,204	-	(4,931)	-	-	-	-	-	\$ 1,661
22	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	\$ -
23	Regulatory Comm. Exp. - Rate Case	12,319	-	-	-	-	-	-	-	-	\$ 12,319
24	Miscellaneous Operating Expense	241,357	71,474	-	(4,175)	-	-	-	-	-	\$ 308,656
25	Depreciation Expense	876,022	-	-	-	-	-	(10,693)	-	-	\$ 865,329
26	Taxes Other Than Income	17,520	-	-	-	13,447	(17,520)	-	-	-	\$ 13,447
27	Property Taxes	121,472	-	-	-	-	-	-	(19,823)	-	\$ 101,649
28	Income Tax	(87,213)	-	-	-	-	-	-	-	180,506	\$ 93,293
29	Tollson Wastewater User Fees	-	-	-	-	-	-	-	-	-	\$ -
30											
31	Total Operating Expenses	\$ 1,915,401	\$ 83,978	\$ (287,577)	\$ (146,553)	\$ 152,759	\$ (227,320)	\$ (10,693)	\$ (19,823)	\$ 180,506	\$ 1,640,678
32	Operating Income (Loss)	\$ (48,855)	\$ (83,978)	\$ 287,577	\$ 146,553	\$ (152,759)	\$ 227,320	\$ 10,693	\$ 19,823	\$ (180,506)	\$ 225,868

## References:

Schedule All-3  
 Schedule All-4  
 Schedule All-5  
 Schedule All-6  
 Schedule All-7  
 Schedule All-8  
 Schedule All-9  
 Schedule All-10

ADJ #  
 1 Citizens' Corporate Costs Allocation  
 2 Service Company Charges  
 3 Projected additional expenses  
 4 Test Year Salaries, Wages & Related Expenses  
 5 Projected Salaries, Wages & Related Expenses  
 6 Depreciation Expense  
 7 Property Taxes  
 8 Income Taxes

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	-	1a	\$ -
2	Purchased Power	(55)	1b	\$ 55
3	Chemicals	-	1c	\$ -
4	Materials and Supplies	(1,053)	1d	\$ 1,053
5	Office Supplies & Expense	(1,251)	1e	\$ 1,251
6	Outside Services	1,390	1f	\$ (1,390)
7	Rents	(1,331)	1g	\$ 1,331
8	Insurance Expense	(10,204)	1h	\$ 10,204
9	Miscellaneous Expense	(71,474)	1i	\$ 71,474
10	Total Adjustments	<u>(83,978)</u>		<u>\$ 83,978</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 2  
Bourassa, Direct, page 12  
Stephenson, Direct, Pages 15 and 16

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM/AGUA FRIA WASTEWATER  
Jocket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SCHEDULE AII-4

OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 287,577	\$ (287,577)
2	Total	<u>\$ 287,577</u>	<u>\$ (287,577)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, pages 12 and 13  
Stephenson, Direct, page 16

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 108,156	3a	\$ (108,156)
2	Office Expense	\$ 29,291	3b	\$ (29,291)
3	Insurance	\$ 4,931	3c	\$ (4,931)
4	Miscellaneous	\$ 4,175	3d	\$ (4,175)
5	Total	<u>\$ 146,553</u>		<u>\$ (146,553)</u>

REFERENCES:

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 10  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]: Testimony, All

OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES, WAGES AND RELATED EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ (139,312)	4a	\$ 139,312
2	Payroll Taxes	\$ (13,447)	4b	\$ 13,447
3	Total	<u>\$ (152,759)</u>		<u>\$ 152,759</u>

REFERENCES:

Column [A]: Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 13

Column [B]: Testimony, All

OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 209,800	5a	\$ (209,800)
2	Payroll Taxes	\$ 17,520	5b	\$ (17,520)
3	Total	<u>\$ 227,320</u>		<u>\$ (227,320)</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 15 and 16  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO	DESCRIPTION	ORIGINAL COST	RATE	DEPRECIATION EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ -	0.00%	\$ -
3	Franchises	\$ 251,928	0.00%	\$ -
4	Miscellaneous Intangibles	\$ -	0.00%	\$ -
5	Subtotal Intangible	<u>\$ 251,928</u>		<u>\$ -</u>
6				
7	<u>Treatment &amp; Discharge</u>			
8	Land and Land Rights	\$ 336,560	0.00%	\$ -
9	Structures and Improvements	\$ -	5.00%	\$ -
10	Preliminary Treatment	\$ 823,719	5.00%	\$ 41,186
11	Primary Treatment Equipment	\$ -	5.00%	\$ -
12	Secondary Treatment Equipment	\$ 2,062,401	5.00%	\$ 103,120
13	Tertiary Equipment	\$ 8,731,796	5.00%	\$ 436,590
14	Disinfection Equipment	\$ 891,776	5.00%	\$ 44,589
15	Effluent Lift Station E	\$ 813,269	8.40%	\$ 68,315
16	Outfall Line	\$ -	5.00%	\$ -
17	Sludge, Treatment & Distribution	\$ -	5.00%	\$ -
18	Influent Lift Station	\$ 6,208	8.40%	\$ 521
19	General Treatment Equipment	\$ 90,571	5.00%	\$ 4,529
20	Subtotal Treatment & Discharge	<u>\$ 13,756,300</u>		<u>\$ 698,849</u>
21				
22	<u>Collection and Influent</u>			
23	Land and Land Rights	\$ -	0.00%	\$ -
24	Structures and Improvements	\$ -	1.67%	\$ -
25	Collection System Lift	\$ 144,988	8.40%	\$ 12,179
26	Collection Mains	\$ 7,425,125	2.04%	\$ 151,473
27	Force Mains	\$ 1,918	2.07%	\$ 40
28	Discharge Services	\$ 1,170,937	2.04%	\$ 23,887
29	Manholes	\$ -	2.03%	\$ -
30	Subtotal Collection and Influent	<u>\$ 8,742,968</u>		<u>\$ 187,578</u>
31				
32	<u>General</u>			
33	Land and Land Rights	\$ 133	0.00%	\$ -
34	Structures and Improvements	\$ 92,878	1.68%	\$ 1,561
35	Office Furniture and Equipment	\$ 43,913	4.55%	\$ 1,996
36	Computer Equipment	\$ 69,974	4.55%	\$ 3,180
37	Transportation Equipment	\$ 49,105	25.00%	\$ 12,276
38	Stores Equipment	\$ 785	3.92%	\$ 31
39	Tools, Shop and Garage	\$ 11,230	4.14%	\$ 464
40	Laboratory Equipment	\$ 3,557	3.71%	\$ 132
41	Power Operated Equipment	\$ 3,288	5.14%	\$ 169
42	Communication Equipment	\$ 19,814	10.28%	\$ 2,036
43	Miscellaneous Equipment	\$ 7,570	4.98%	\$ 377
44	Subtotal General	<u>\$ 302,247</u>		<u>\$ 22,223</u>
45				
46	TOTALS	<u>\$ 23,053,443</u>		<u>\$ 908,651</u>
47	Amortization of Deferred Regulatory Assets	\$ 99,122	3.93%	\$ 3,897
48	Less: Amortization of Contributions	\$ 472,196	10.00%	\$ (47,220)
49	Staff recommended depreciation Expense			\$ 865,329
50	Company Proposed depreciation Expense			\$ 876,022
51	Staff Adjustment			<u>\$ (10,693)</u>

OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 1,866,546
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 3,733,092
4	Staff Recommended Revenue	\$ 1,793,061
5	Subtotal (Line 4 + Line 5)	\$ 5,526,153
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	\$ 1,842,051
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	\$ 3,684,102
10	Plus: 10% of CWIP - 2001	\$ -
11	Less: Net Book Value of Licensed Vehicles	\$ 49,104
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 3,634,998
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	\$ 908,750
15	Composite Property Tax Rate	11.185601%
16	Staff Recommended Property Tax Expense (Line 14 x Line 15)	\$ 101,649
17	Company proposed Property Tax Expense	\$ 121,472
18	Staff Adjustment (Line 16 - Line 17)	\$ (19,823)

## ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM/AGUA FRIA WASTEWATER

Docket No. WS-01303A-02-0868 ET AL

SCHEDULE AII-10

Test Year Ended December 31, 2001

## OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (87,213)	\$ 180,506	\$ 93,293
2	Total	\$ (87,213)	\$ 180,506	\$ 93,293

## REFERENCES:

Column [A]:

Company, Schedule C-1, page 1

Company, Schedule C-2, page 1

Company, Schedule C-3, page 1

Column [B]:

Testimony, All

Schedule DWC-2

Column [C]:

Column [A] + Column [B]

MINIMUM MONTHLY AND COMMODITY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT			COMPANY PROPOSED		
		MINIMUM CHARGE	USAGE UP TO GALLONS	COMMODITY CHARGE	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE
1	Residential Units	\$ 16.00	7,000	\$ 2.00	\$ 22.40	7,000	\$ 2.80
2	Small Commerical User 5/8"	\$ 16.00	7,000	\$ 2.00	\$ 22.40	7,000	\$ 2.80
3	Small Commerical User 3/4"	\$ 24.00	10,000	\$ 2.00	\$ 33.60	10,000	\$ 2.80
4	Small Commerical User 1"	\$ 32.00	15,000	\$ 2.00	\$ 44.80	15,000	\$ 2.80
5	Comm. Large User	\$ 64.00	999,999,999	\$ 2.00	\$ 96.96	999,999,999	\$ 2.80
6	Anthem/Agua Fria Treatco	\$ -	999,999,999	\$ 2.32	\$ -	999,999,999	\$ 2.32
7	Industrial Discharge Annual Fee <50,000gal/mo	\$ 500.00	-		\$ 500.00	-	
8	Industrial Discharge Annual Fee >50,000gal/mo	\$ 1,000.00			\$ 1,000.00		

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED		
		MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY CHARGE
9	Residential Units	\$ 14.68	7,000	\$ 1.84
10	Small Commerical User 5/8"	\$ 14.68	7,000	\$ 1.84
11	Small Commerical User 3/4"	\$ 22.03	10,000	\$ 1.84
12	Small Commerical User 1"	\$ 29.37	15,000	\$ 1.84
13	Comm. Large User	\$ 58.73	999,999,999	\$ 1.84
14	Anthem/Agua Fria Treatco	\$ -	999,999,999	\$ 2.32
15	Industrial Discharge Annual Fee <50,000gal/mo	\$ 500.00	-	
16	Industrial Discharge Annual Fee >50,000gal/mo	\$ 1,000.00		

Note: Charges are applied up to the usage indicated in the schedules. Amounts in excess of the first tier have no charges.

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential Units	8,854	\$ 30.00	8,000	\$ 30.00
2	Small Commerical User 5/8"	8,205	\$ 32.41	8,000	\$ 32.00
3	Small Commerical User 3/4"				
4	Small Commerical User 1"				
5	Comm. Large User	60,695	\$ 185.39	8,000	\$ 80.00
6	Anthem/Agua Fria Treatco	484,100	\$ 1,123.11	484,100	\$ 1,123.11
7	Industrial Discharge Annual Fee <50,000gal/mo.				
8	Industrial Discharge Annual Fee >50,000gal/mo.				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE		INCREASE		PERCENT	
9	Residential Units	\$ 45.45	\$ 15.45	51.50%	\$ 45.45	\$ 15.45	51.50%
10	Small Commerical User 5/8"	\$ 49.10	\$ 16.69	51.50%	\$ 48.48	\$ 16.48	51.50%
11	Small Commerical User 3/4"						
12	Small Commerical User 1"						
13	Comm. Large User	\$ 280.87	\$ 95.48	51.50%	\$ 121.20	\$ 41.20	51.50%
14	Anthem/Agua Fria Treatco	\$ 1,123.11	\$ -	-	\$ 1,123.11	\$ -	0.00%
15	Industrial Discharge Annual Fee <50,000gal/mo.						
16	Industrial Discharge Annual Fee >50,000gal/mo.						

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE		DECREASE		PERCENT	
17	Residential Units	\$ 27.53	\$ (2.47)	-8.23%	\$ 27.53	\$ (2.47)	-8.23%
18	Small Commerical User 5/8"	\$ 29.74	\$ (2.67)	-8.23%	\$ 29.37	\$ (2.63)	-8.23%
19	Small Commerical User 3/4"						
20	Small Commerical User 1"						
21	Comm. Large User	\$ 170.14	\$ (15.25)	-8.23%	\$ 73.42	\$ (6.58)	-8.23%
22	Anthem/Agua Fria Treatco (Contracted Price)	\$ 1,123.11	\$ -	-	\$ 1,123.11	\$ -	0.00%
23	Industrial Discharge Annual Fee <50,000gal/mo.						
24	Industrial Discharge Annual Fee >50,000gal/mo.						

## ARIZONA-AMERICAN WATER COMPANY, INC. - TUBAC WATER

Schedule DWC-1

Docket No. WS-01303A-02-0867 et al.

Test Year Ended December 31, 2001

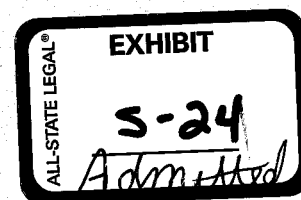
## REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY FAIR VALUE	[B] STAFF ORIGINAL COST	[C] STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 1,903,647	\$ 1,130,583	\$ 1,130,583
2	Adjusted Operating Income/(Loss)	\$ 14,582	\$ 20,103	\$ 20,103
3	Current Rate of Return (L2 / L1)	0.77%	1.78%	1.78%
4	Required Rate of Return	7.75%	6.6%	6.6%
5	Required Operating Income (L4 x L1)	\$ 147,533	\$ 74,392	\$ 74,392
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 132,951	\$ 54,289	\$ 54,289
7	Gross Revenue Conversion Factor	1.62860	1.62863	1.62863
8	Required Revenue Increase/(Decrease) (L7 x L6)	\$ 216,523	<b>\$ 88,417</b>	<b>\$ 88,417</b>
9	Adjusted Test Year Revenue	\$ 254,486	\$ 254,486	\$ 254,486
10	Proposed Annual Revenue (L8 + L9)	\$ 471,009	\$ 342,903	\$ 342,903
11	Required Increase/Decrease in Revenue (%)	85.08%	34.74%	34.74%
12	Rate of Return on Common Equity (%)	11.50%	9.7%	9.7%

References:

Column [A]: Company Schedules A-1, A-2, &amp; D-1

Columns [B] &amp; [C]: Staff Schedules All-1, DWC-2, DWC-3, &amp; JMR-9



GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17)	38.5989%			
5	Subtotal (L3 - L4)	61.4011%			
6	Revenue Conversion Factor (L1 / L5)	1.628635			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 x L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 40)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%			
18	Required Operating Income (Schedule DWC-1, Col. [B], Line 5)	\$ 74,392			
19	Adjusted Test Year Operating Income (Loss) (Sch. All-1, Col. [C], Line 28)	\$ 20,103			
20	Required Increase in Operating Income (L18 - L19)		\$ 54,289		
21	Income Taxes on Recommended Revenue (Col. [D], L39)	\$ 26,724			
22	Income Taxes on Test Year Revenue (Col. [B], L39)	\$ (7,404)			
23	Required Increase in Revenue to Provide for Income Taxes (L21 - L22)		\$ 34,128		
24	Recommended Revenue Requirement (Schedule DWC-1, Col. [B], Line 10)	\$ 342,903			
25	Uncollectible Rate (Line 10)	0.0000%			
26	Uncollectible Expense on Recommended Revenue (L24 x L25)	\$ -			
27	Adjusted Test Year Uncollectible Expense	\$ -			
28	Required Increase in Revenue to Provide for Uncollectible Exp. (L26 - L27)		\$ -		
29	Total Required Increase in Revenue (L20 + L23 + L28)		\$ 88,417		
<u>Calculation of Income Tax:</u>					
30	Revenue (Schedule All-1, Col. [C], Line 5 & Sch. DWC-1, Col. [B], Line 10)	\$ 254,486		STAFF Recommended \$ 342,903	
31	Operating Expenses Excluding Income Taxes	\$ 241,787	\$ -	\$ 241,787	
32	Synchronized Interest (L43)	\$ 31,882		\$ 31,882	
33	Arizona Taxable Income (L30 - L31 - L32)	\$ (19,183)		\$ 69,234	
34	Arizona State Income Tax Rate	6.9680%		6.9680%	
35	Arizona Income Tax (L33 x L34)	\$ (1,337)		\$ 4,824	
36	Federal Taxable Income (L33 - L35)	\$ (17,846)		\$ 64,410	
37	Federal Income Tax Rate	34.0000%		34.0000%	
38	Federal Income Tax (L36 x L37)	\$ (6,068)		\$ 21,899	
39	Combined Federal and State Income Tax (L35 + L38)	\$ (7,404)		\$ 26,724	
40	Applicable Federal Income Tax Rate (Col. [D], L38 - Col. [B], L38) / (Col. [C], L36 - Col. [A], L36)				34.0000%
<u>Calculation of Interest Synchronization:</u>					
41	Rate Base (Schedule DWC-3, Col. [C], Line 17)	\$ 1,130,583			
42	Weighted Average Cost of Debt	2.82%			
43	Synchronized Interest (L41 x L42)	\$ 31,882			

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 1,968,840	\$ 44,362	A	\$ 2,013,202
2	Less: Accumulated Depreciation	569,484	(1,211)	B	568,273
3	Net Plant in Service	<u>\$ 1,399,356</u>	<u>\$ 45,573</u>		<u>\$ 1,444,929</u>
	<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -		\$ -
5	Less: Accumulated Amortization	-	-		-
6	Net CIAC	143,675	-		143,675
7	Advances in Aid of Construction (AIAC)	170,081	-		170,081
8	Customer Deposits	590	-		590
9	Meter Advances	-	-		-
10	Deferred Income Tax Credits	-	-		-
	<u>ADD:</u>				
11	Cash Working Capital	-	-		-
12	Prepayments	-	-		-
13	Supplies Inventory	-	-		-
14	Projected Capital Expenditures	-	-		-
15	Deferred Debits	-	-		-
16	Citizens Acquisition Adjustment	531,184	(531,184)	C	-
17	Original Cost Rate Base	<u>\$ 1,616,194</u>	<u>\$ (485,611)</u>		<u>\$ 1,130,583</u>

Adjustments:

- A. See plant adjustments on Schedule DWC-4
- B. See accumulated depreciation adjustments on Schedule DWC-4
- C. See acquisition adjustment on Schedule DWC-4

References:

- Column [A]: Company Schedule B-1
- Column [B]: Staff Schedule DWC-4
- Column [C]: Column [A] + Column [B]

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Plant-not used ADJ #1	[C] Plant-unidentified ADJ #2	[D] Plant Mis-Posted ADJ #3	[E] Plant Prev. Dec. ADJ #4	[F] Post-TY Pl. ADJ #5	[G] AFUDC Adj. ADJ #6	[H] Acquisition Adj ADJ #7	[I] STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>											
1		<b>Intangible</b>			Leave Blank	Leave Blank	Leave Blank				
2	301.00	Organization	\$ 567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 567
3	302.00	Franchises	2,030	-	-	-	-	-	-	-	2,030
4	303.00	Miscellaneous Intangibles	-	-	-	-	-	-	-	-	-
5		Subtotal Intangible	2,597	-	-	-	-	-	-	-	2,597
6											
7		<b>Source of Supply</b>									
8	310.00	Land & Land Rights	20,414	-	-	-	-	-	-	-	20,414
9	311.00	Structures & Improvements	20,492	-	-	-	-	-	-	-	20,492
10	312.00	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-
11	313.00	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-	-
12	314.00	Wells and Springs	116,034	(1,624)	-	-	-	-	-	-	114,410
13		Subtotal Source of Supply	156,940	(1,624)	-	-	-	-	-	-	155,316
14											
15		<b>Pumping</b>									
16	320.00	Land & Land Rights	50	-	-	-	-	-	-	-	50
17	321.00	Structures & Improvements	14,808	-	-	-	-	234	-	-	14,842
18	323.00	Other Power Production	-	-	-	-	-	-	-	-	-
19	325.00	Electric Pumping Equipment	244,199	-	-	-	-	26,375	-	-	270,574
20	326.00	Diesel Pumping Equipment	879	-	-	-	-	-	-	-	879
21	328.10	Gas Engine Pumping Equipment	42,994	-	-	-	-	-	-	-	42,994
22		Subtotal Pumping	302,730	-	-	-	-	26,609	-	-	329,339
23											
24		<b>Water Treatment</b>									
25	330.00	Land & Land Rights	50	-	-	-	-	-	-	-	50
26	331.00	Structures & Improvements	-	-	-	-	-	-	-	-	-
27	332.00	Water Treatment Equipment	505	-	-	-	-	-	-	-	505
28		Subtotal Water Treatment	555	-	-	-	-	-	-	-	555
29											
30		<b>Transmission &amp; Distribution</b>									
31	340.00	Land & Land Rights	539	-	-	-	-	-	-	-	539
32	341.00	Structures & Improvements	156	-	-	-	-	-	-	-	156
33	342.00	Distribution Reservoirs & Standpipes	142,420	-	-	-	-	-	-	-	142,420
34	343.00	Transmission & Distribution	921,147	-	-	-	-	18,020	-	-	939,167
35	344.00	Fire Mains	-	-	-	-	-	-	-	-	-
36	345.00	Services	272,942	-	-	-	-	-	-	-	272,942
37	346.00	Meters	87,950	-	-	-	-	-	-	-	87,950
38	348.00	Hydrants	24,189	-	-	-	-	-	-	-	24,189
39	349.00	Other Transmission & Distribution	-	-	-	-	-	-	-	-	-
40		Subtotal Transmission & Distribu.	1,449,343	-	-	-	-	18,020	-	-	1,467,363
41											
42		<b>General - Allocated Common Plant</b>									
43	389.00	Land & Land Rights	26	-	-	-	-	-	-	-	26
44	390.00	Structures & Improvements	17,767	-	-	-	-	-	-	-	17,767
45	391.00	Office Furniture and Equipment	9,093	-	-	-	-	(563)	-	-	8,530
46	391.10	Computer Equipment	13,194	-	-	-	-	-	-	-	13,194
47	392.00	Transportation Equipment	9,535	-	-	-	-	-	-	-	9,535
48	393.00	Stores Equipment	152	-	-	-	-	-	-	-	152
49	394.00	Tools, Shop, & Garage Equipment	2,181	-	-	-	-	-	-	-	2,181
50	395.00	Laboratory Equipment	691	-	-	-	-	-	-	-	691
51	396.00	Power Operated Equipment	638	-	-	-	-	-	-	-	638
52	397.00	Communication Equipment	3,763	-	-	-	-	85	-	-	3,848
53	398.00	Miscellaneous Equipment	1,470	-	-	-	-	-	-	-	1,470
54		Subtotal General	58,510	-	-	-	-	(478)	-	-	58,032
55											
56	Add:										
57											
58	Less:										
59	AFUDC Adjustment 3/95**		(1,835)	-	-	-	-	-	1,835	-	-
60											
61	Total Plant in Service		\$ 1,968,840	\$ (1,624)	\$ -	\$ -	\$ -	\$ 44,151	\$ 1,835	\$ -	\$ 2,013,202
62	Less: Accumulated Depreciation		569,484	1,624	-	-	-	-	413	-	568,273
63	Net Plant in Service (L59 - L 60)		\$ 1,399,356	\$ (0)	\$ -	\$ -	\$ -	\$ 44,151	\$ 1,422	\$ -	\$ 1,444,929
64											
65	<b>LESS:</b>										
66	Contributions in Aid of Construction (CIAC)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67	Less: Accumulated Amortization		-	-	-	-	-	-	-	-	-
68	Net CIAC (L25 - L26)		143,675	-	-	-	-	-	-	-	143,675
69	Advances in Aid of Construction (AIAC)		170,081	-	-	-	-	-	-	-	170,081
70	Customer Deposits		590	-	-	-	-	-	-	-	590
71	Meter Advances		-	-	-	-	-	-	-	-	-
72	Deferred Income Tax Credits		-	-	-	-	-	-	-	-	-
73											
74	<b>ADD:</b>										
75	Cash Working Capital Allowance		-	-	-	-	-	-	-	-	-
76	Prepayments		-	-	-	-	-	-	-	-	-
77	Supplies Inventory		-	-	-	-	-	-	-	-	-
78	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
79	Deferred Debits		-	-	-	-	-	-	-	-	-
80	Citizens Acquisition Adjustment		531,184	-	-	-	-	-	-	(531,184)	-
81	Original Cost Rate Base		\$ 1,616,194	\$ (0)	\$ -	\$ -	\$ -	\$ 44,151	\$ 1,422	\$ (531,184)	\$ 1,130,583

ADJ #	References:
1	Plant - not used & useful Per Staff Engineering Reports.
2	Plant - unidentified Per Staff Engineering Reports.
3	Plant - mis-posted Per Company Response to Staff Data Request BKB 26-3.
4	Plant - removed by previous decision Per Decision No. 60172.
5	Post-Test Year Plant Per Company Response to Staff Data Request DWC 12-2
6	Remove AFUDC Adj. 3/95 Per Company Response to Staff Data Request DWC 6-10 Amended
7	Remove Acquisition Adjustment Per Carlson Direct Testimony

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 251,795	\$ -	\$ 251,795	\$ 88,417	\$ 340,212
3	Water Sales - Unmetered	-	-	-	-	-
4	Other Operating Revenue	2,691	-	2,691	-	2,691
5	Total Operating Revenues	\$ 254,486	\$ -	\$ 254,486	\$ 88,417	\$ 342,903
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries & Wages	\$ 77,690	\$ (17,461)	\$ 60,229	\$ -	\$ 60,229
9	Purchased Water	-	-	-	-	-
10	Purchased Pumping Power	20,767	4	20,771	-	20,771
11	Chemicals	16	-	16	-	16
12	Repairs & Maintenance	18,029	-	18,029	-	18,029
13	Office Supplies & Expense	19,965	(10,820)	9,145	-	9,145
14	Outside Services	10,516	2,243	12,759	-	12,759
15	Service Company Charges	38,653	(38,653)	-	-	-
16	Water Testing	1,420	-	1,420	-	1,420
17	Rents	3,454	-	3,454	-	3,454
18	Transportation Expense	-	-	-	-	-
19	Insurance - General Liability	3,428	(1,285)	2,143	-	2,143
20	Insurance - Health and Life	-	-	-	-	-
21	Regulatory Comm. Exp. - Rate Case	1,680	-	1,680	-	1,680
22	Miscellaneous Operating Expense	7,022	22,707	29,729	-	29,729
23	Depreciation Expense	37,208	(1,734)	35,474	-	35,474
24	Taxes Other Than Income	4,809	21,474	26,283	-	26,283
25	Property Taxes	23,752	(3,097)	20,655	-	20,655
26	Income Tax	(28,505)	21,101	(7,404)	34,128	26,724
27						
28	Total Operating Expenses	\$ 239,904	\$ (5,521)	\$ 234,383	\$ 34,128	\$ 268,510
29	Operating Income (Loss)	\$ 14,582	\$ 5,521	\$ 20,103	\$ 54,289	\$ 74,393

References:

Column [A]: Company Schedule C-1  
Column [B]: Schedule All-2  
Column [C]: Column [A] + Column [B]  
Column [D]: Schedules DWC-1 and DWC-2  
Column [E]: Column [C] + Column [D]

ARIZONA-AMERICAN WATER COMPANY, INC. - TUBAC WATER

Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

Schedule All-2

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
2	REVENUES:										
3	Metered Water Sales	\$ 251,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,795
4	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
5	Other Operating Revenue	2,691	-	-	-	-	-	-	-	-	2,691.0
6	Total Operating Revenues	\$ 254,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,486
8	OPERATING EXPENSES:										
9	Salaries & Wages	\$ 77,690	\$ -	\$ -	\$ (18,026)	\$ 60,229	\$ (59,664)	\$ -	\$ -	\$ -	\$ 60,229
10	Purchased Water	-	-	-	-	-	-	-	-	-	-
11	Purchased Pumping Power	20,767	4	-	-	-	-	-	-	-	20,771
12	Chemicals	16	-	-	-	-	-	-	-	-	16
13	Repairs & Maintenance	18,029	-	-	-	-	-	-	-	-	18,029
14	Office Supplies & Expense	19,965	627	-	(11,447)	-	-	-	-	-	9,145
15	Outside Services	10,516	2,243	-	-	-	-	-	-	-	12,759
16	Service Company Charges	38,653	-	(38,653)	-	-	-	-	-	-	-
17	Water Testing	1,420	-	-	-	-	-	-	-	-	1,420
18	Rents	3,454	-	-	-	-	-	-	-	-	3,454
19	Transportation Expense	-	-	-	-	-	-	-	-	-	-
20	Insurance - General Liability	3,428	2,127	-	(3,412)	-	-	-	-	-	2,143
21	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
22	Regulatory Comm. Exp. - Rate Case	1,680	-	-	-	-	-	-	-	-	1,680
23	Miscellaneous Operating Expense	7,022	22,928	-	(221)	-	-	-	-	-	29,729
24	Depreciation Expense	37,208	-	-	-	-	-	(1,734)	-	-	35,474
25	Taxes Other Than Income	4,809	-	-	-	26,283	(4,809)	-	-	-	26,283
26	Property Taxes	23,752	-	-	-	-	-	-	(3,097)	-	20,655
27	Income Tax	(28,505)	-	-	-	-	-	-	-	21,101	(7,404)
28											
29	Total Operating Expenses	\$ 239,904	\$ 27,929	\$ (38,653)	\$ (33,106)	\$ 86,512	\$ (64,473)	\$ (1,734)	\$ (3,097)	\$ 21,101	\$ 234,383
30	Operating Income (Loss)	\$ 14,582	\$ (27,929)	\$ 38,653	\$ 33,106	\$ (86,512)	\$ 64,473	\$ 1,734	\$ 3,097	\$ (21,101)	\$ 20,103

ADJ #	References:
1	Citizens, Corporate Costs Allocation
2	Service Company Charges
3	Projected additional expenses
4	Test Year Salaries, Wages & Related Expenses
5	Projected Salaries, Wages & Related Expenses
6	Depreciation Expense
7	Property Taxes
8	Income Taxes

**OPERATING INCOME ADJUSTMENT #1 - CITIZEN'S CORPORATE COST**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Taxes Other Than Income	\$ -	1a	\$ -
2	Purchased Power	\$ (4)	1b	\$ 4
3	Chemicals	\$ -	1a	\$ -
4	Repairs and Maintenance	\$ -	1b	\$ -
5	Office Supplies and Expense	\$ (627)	1a	\$ 627
6	Outside Services	\$ (2,243)	1b	\$ 2,243
7	Rents	\$ -	1a	\$ -
8	Insurance - General Liability	\$ (2,127)	1b	\$ 2,127
9	Miscellaneous Expense	\$ (22,928)	1a	\$ 22,928
10	Total Adjustments	<u>\$ (27,929)</u>		<u>\$ 27,929</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
 Company, Schedule C-2, page 2  
 Bourassa, Direct, page 11  
 Stephenson, Direct, pages 14 and 15

Column [B]:

Testimony, All

**OPERATING INCOME ADJUSTMENT #2 - SERVICE COMPANY CHARGES**

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT
1	Service Company Charges	\$ 38,653	\$ (38,653)
2	Total	<u>\$ 38,653</u>	<u>\$ (38,653)</u>

**REFERENCES:**

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 3  
Bourassa, Direct, page 11

Column [B]:

Testimony, All

## OPERATING ADJUSTMENT #3 - PROJECTED ADDITIONAL EXPENSES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	ADJUSTMENT LABEL	[B] STAFF ADJUSTMENT
1	Salaries & Wages	\$ 18,026	10a	\$ (18,026)
2	Office Expense	\$ 11,447	10b	\$ (11,447)
3	Insurance	\$ 3,412	10c	\$ (3,412)
4	Micellaneous Expense	\$ 221	10d	\$ (221)
5	Total	<u>\$ 33,106</u>		<u>\$ (33,106)</u>

## REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
 Company, Schedule C-2, page 10  
 Bourassa, Direct, pages 11 and 12  
 Stephenson, Direct, pages 15 and 16

Column [B]:

Testimony, All

OPERATING INCOME ADJUSTMENT #4 - TEST YEAR SALARIES AND WAGES, AND RELATED EXPENSES

NO.	DESCRIPTION	[A]	ADJUSTMENT LABEL	[B]	STAFF ADJUSTMENT
		COMPANY AS FILED			
1	Salaries & Wages	\$ (60,229)	2a	\$	60,229
2	Payroll Taxes	\$ (26,283)	2b	\$	26,283
3	Total	<u>\$ (86,512)</u>		<u>\$</u>	<u>86,512</u>

REFERENCES:

Column [A]:

Company, Schedule C-2, page 1  
Company, Schedule C-2, page 4  
Bourassa, Direct, pages 11 and 12  
Stephenson, Direct, pages 17 and 18

Column [B]:

Testimony, All

ARIZONA-AMERICAN WATER COMPANY, INC. - TUBAC WATER  
Docket No. WS-01303A-02-0867 et al.  
Test Year Ended December 31, 2001

SCHEDULE AII-7

OPERATING INCOME ADJUSTMENT #5 - PROJECTED SALARIES AND WAGES

NO.	DESCRIPTION	[A]	ADJUSTMENT LABEL	[B]
		COMPANY AS FILED		STAFF ADJUSTMENT
1	Salaries & Wages	\$ 59,664	4a	\$ (59,664)
2	Payroll Taxes	\$ 4,809	4b	\$ (4,809)
3	Total	<u>\$ 64,473</u>		<u>\$ (64,473)</u>

REFERENCES:

Column [A]:  
Company, Schedule C-2, page 1  
Company, Schedule C-2, page 5  
Bourassa, Direct, pages 11 and 12  
Stephenson, Direct, pages 17 and 18

Column [B]:  
Testimony, All

OPERATING ADJUSTMENT #6 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	ORIGINAL COST	RATE	EXPENSE
1	<u>Intangible</u>			
2	Organization	\$ 567	0.00%	\$ -
3	Franchises	\$ 2,030	0.00%	\$ -
4	Miscellaneous Intangibles	\$ -	0.00%	\$ -
5	Subtotal Intangible	<u>\$ 2,597</u>		<u>\$ -</u>
6				
7	<u>Source of Supply</u>			
8	Land and Land Rights	\$ 20,414	0.00%	\$ -
9	Structures and Improvements	\$ 20,492	2.40%	\$ 492
10	Collecting and Impounding Res.	\$ -	0.00%	\$ -
11	Lakes, Rivers, Other Intakes	\$ -	0.00%	\$ -
12	Wells and Springs	\$ 114,410	3.08%	\$ 3,524
13	Subtotal Source of Supply	<u>\$ 155,316</u>		<u>\$ 4,016</u>
14				
15	<u>Pumping</u>			
16	Land & Land Rights	\$ 50	0.00%	\$ -
17	Structures & Improvements	\$ 14,842	1.94%	\$ 288
18	Other Power Production	\$ -	0.00%	\$ -
19	Electric Pumping Equipment	\$ 270,574	4.24%	\$ 11,472
20	Diesel Pumping Equipment	\$ 879	5.00%	\$ 44
21	Gas Engine Pumping Equipment	\$ 42,994	4.24%	\$ 1,823
22	Subtotal Pumping	<u>\$ 329,339</u>		<u>\$ 13,627</u>
23				
24	<u>Water Treatment</u>			
25	Land and Land Rights	\$ 50	0.00%	\$ -
26	Structures and Improvements	\$ -	0.00%	\$ -
27	Water Treatment Equipment	\$ 505	4.00%	\$ 20
28	Subtotal Water Treatment	<u>\$ 555</u>		<u>\$ 20</u>
29				
30	<u>Transmission and Distribution</u>			
31	Land and Land Rights	\$ 539	0.00%	\$ -
32	Structures and Improvements	\$ 156	1.92%	\$ 3
33	Distribution, Reservoirs, & ST	\$ 142,420	1.62%	\$ 2,307
34	Transmission and Distribution	\$ 939,167	1.97%	\$ 18,502
35	Fire Mains	\$ -	0.00%	\$ -
36	Services	\$ 272,942	2.45%	\$ 6,687
37	Meters	\$ 87,950	2.42%	\$ 2,128
38	Hydrants	\$ 24,189	1.97%	\$ 477
39	Other Transmission & Distribution	\$ -	0.00%	\$ -
40	Subtotal Transmission and Distribution	<u>\$ 1,467,363</u>		<u>\$ 30,104</u>
41				
42	<u>General</u>			
43	Land and Land Rights	\$ 26	0.00%	\$ -
44	Structures and Improvements	\$ 17,767	2.89%	\$ 513
45	Office Furniture and Equipment	\$ 8,530	3.28%	\$ 280
46	Computer Equipment	\$ 13,194	3.28%	\$ 433
47	Transportation Equipment	\$ 9,535	25.00%	\$ 2,384
48	Stores Equipment	\$ 152	4.00%	\$ 6
49	Tools, Shop and Garage	\$ 2,181	3.42%	\$ 75
50	Laboratory Equipment	\$ 691	0.00%	\$ -
51	Power Operated Equipment	\$ 638	0.00%	\$ -
52	Communication Equipment	\$ 3,848	5.03%	\$ 194
53	Miscellaneous Equipment	\$ 1,470	4.93%	\$ 72
54	Subtotal General	<u>\$ 58,032</u>		<u>\$ 3,956</u>
55				
58	Total	<u>\$ 2,013,202</u>		<u>\$ 51,723</u>
64	Amortization of Deferred Regulatory Assets	\$ 4,596	2.58%	\$ 118
65	Depreciation of well not-in-service	\$ 64,945	3.08%	\$ 2,000
66	Less: Amortization of Contributions	<u>\$ 143,675</u>	10.00%	<u>\$ 14,368</u>
68	Staff recommended depreciation Expense			\$ 35,474
69	Company Proposed Depreciation Expense			\$ 37,208
70	Staff Adjustment			<u>\$ (1,734)</u>

**OPERATING ADJUSTMENT #7 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	AMOUNT
1	Staff Adjusted Test Year Revenues - 2001	\$ 254,486
2	Weight Factor	2
3	Subtotal (Line 1 x Line 2)	\$ 508,972
4	Staff Recommended Revenue	342,903
5	Subtotal (Line 4 + Line 5)	851,875
6	Number of Years	3
7	Three Year Average (Line 5 / Line 6)	283,958
8	Department of Revenue Multiplier	2
9	Revenue Base Value (Line 7 x Line 8)	567,917
10	Plus: 10% of CWIP - 2001	-
11	Less: Net Book Value of Licensed Vehicles	\$ 9,535
12	Full Cash Value (Line 9 + Line 10 - Line 11)	558,382
13	Assessment Ratio	25%
14	Assessment Value (Line 12 x Line 13)	139,595
15	Composite Property Tax Rate	14.7962%
16	Staff Recommended Property Tax Expense (Line 14 x Line 15)	\$ 20,655
17	Company Proposed Property Tax Expense	\$ 23,752
18	Staff Adjustment	\$ (3,097)

## OPERATING ADJUSTMENT #8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF PROPOSED
1	Income Taxes	\$ (28,505)	\$ 21,101	\$ (7,404)
2	Total	\$ (28,505)	\$ 21,101	\$ (7,404)

## REFERENCES:

Column [A]:

Company, Schedule C-1, page 1

Company, Schedule C-2, page 1

Company, Schedule C-3, page 1

Column [B]:

Testimony, All

Schedule DWC-2

Column [C]:

Column [A] + Column[B]

Docket: S-01303A-02-0867 et al.

Test: Filed December 31, 2001

## MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT RATES									
		PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	\$ 15.35	-	\$ 28.58	-	\$ 20.80	-	\$ 1.66	8.00	\$ 2.04	Infinite
2	Residential 3/4"	\$ 15.35	-	\$ 28.58	-	\$ 20.80	-	\$ 1.66	8.00	\$ 2.04	Infinite
3	Residential 1"	\$ 23.00	-	\$ 42.83	-	\$ 31.17	-	\$ 1.66	8.00	\$ 2.04	Infinite
4	Residential 1.5"	\$ 46.00	-	\$ 85.66	-	\$ 62.33	-	\$ 1.66	8.00	\$ 2.04	Infinite
5	Residential 2"	\$ 76.00	-	\$ 141.52	-	\$ 102.98	-	\$ 1.66	8.00	\$ 2.04	Infinite
6	Residential 3"	\$ 90.00	-	\$ 167.59	-	\$ 121.95	-	\$ 1.66	8.00	\$ 2.04	Infinite
7	Residential 4"	\$ 132.00	-	\$ 245.79	-	\$ 178.85	-	\$ 1.66	8.00	\$ 2.04	Infinite
8	Residential 6"	\$ 180.00	-	\$ 335.17	-	\$ 243.89	-	\$ 1.66	8.00	\$ 2.04	Infinite
9	Residential 8"	N/A	-	\$ 2,858.00	-	\$ 2,079.62	-	\$ 1.66	8.00	\$ 2.04	Infinite
10	Commercial 5/8"	\$ 15.35	-	\$ 28.58	-	\$ 20.80	-	\$ 1.66	8.00	\$ 2.04	Infinite
11	Commercial 3/4"	\$ 15.35	-	\$ 28.58	-	\$ 20.80	-	\$ 1.66	8.00	\$ 2.04	Infinite
12	Commercial 1"	\$ 23.00	-	\$ 42.83	-	\$ 31.17	-	\$ 1.66	8.00	\$ 2.04	Infinite
13	Commercial 1.5"	\$ 46.00	-	\$ 85.66	-	\$ 62.33	-	\$ 1.66	8.00	\$ 2.04	Infinite
14	Commercial 2"	\$ 76.00	-	\$ 141.52	-	\$ 102.98	-	\$ 1.66	8.00	\$ 2.04	Infinite
15	Commercial 3"	\$ 90.00	-	\$ 167.59	-	\$ 121.95	-	\$ 1.66	8.00	\$ 2.04	Infinite
16	Commercial 4"	\$ 132.00	-	\$ 245.79	-	\$ 178.85	-	\$ 1.66	8.00	\$ 2.04	Infinite
17	Commercial 6"	\$ 180.00	-	\$ 335.17	-	\$ 243.89	-	\$ 1.66	8.00	\$ 2.04	Infinite
18	Commercial 8"	N/A	-	\$ 2,858.00	-	\$ 2,079.62	-	\$ 1.66	8.00	\$ 2.04	Infinite

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES				STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
19	Residential 5/8"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
20	Residential 3/4"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
21	Residential 1"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
22	Residential 1.5"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
23	Residential 2"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
24	Residential 3"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
25	Residential 4"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
26	Residential 6"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
27	Residential 8"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
28	Commercial 5/8"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
29	Commercial 3/4"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
30	Commercial 1"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
31	Commercial 1.5"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
32	Commercial 2"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
33	Commercial 3"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
34	Commercial 4"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
35	Commercial 6"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite
36	Commercial 8"	\$ 3.09	8.00	\$ 3.79	Infinite	\$ 1.81	4.00	\$ 2.72	51.00	\$ 3.26	Infinite

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 5/8"	13,177	\$ 39.19	8,000	\$ 28.63
2	Residential 3/4"	N/A			
3	Residential 1"	15,301	\$ 51.17	12,000	\$ 44.44
4	Residential 1.5"	40,250	\$ 125.07	24,000	\$ 91.92
5	Residential 2"	32,500	\$ 139.26	30,000	\$ 134.16
6	Residential 3"	3,538	\$ 95.87	-	\$ 90.00
7	Residential 4"	N/A			
8	Residential 6"	N/A			
9	Residential 8"	N/A			
10	Commerical 5/8"	9,090	\$ 30.85	5,000	\$ 23.65
11	Commerical 3/4"	N/A			
12	Commerical 1"	19,172	\$ 59.07	8,000	\$ 36.28
13	Commerical 1.5"	35,167	\$ 114.70	26,000	\$ 96.00
14	Commerical 2"	159,167	\$ 397.66	29,000	\$ 132.12
15	Commerical 3"	22,833	\$ 133.54	6,000	\$ 99.96
16	Commerical 4"	N/A			
17	Commerical 6"	N/A			
18	Commerical 8"	N/A			
28	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED					
		AVERAGE		INCREASE		PERCENT	
29	Residential 5/8"	\$ 72.92	\$ 33.73	86.06%	\$ 53.30	\$ 24.67	86.17%
30	Residential 3/4"	N/A					
31	Residential 1"	\$ 95.22	\$ 44.05	86.07%	\$ 82.71	\$ 38.27	86.12%
32	Residential 1.5"	\$ 232.61	\$ 107.54	85.98%	\$ 171.02	\$ 79.10	86.05%
33	Residential 2"	\$ 259.10	\$ 119.84	86.05%	\$ 249.62	\$ 115.46	86.06%
34	Residential 3"	\$ 178.52	\$ 82.65	86.21%	\$ 167.59	\$ 77.59	86.21%
35	Residential 4"	N/A					
36	Residential 6"	N/A					
37	Residential 8"	N/A					
38	Commerical 5/8"	\$ 57.43	\$ 26.58	86.14%	\$ 44.03	\$ 20.38	86.17%
39	Commerical 3/4"	N/A					
40	Commerical 1"	\$ 109.89	\$ 50.82	86.03%	\$ 67.55	\$ 31.27	86.19%
41	Commerical 1.5"	\$ 213.34	\$ 98.64	86.00%	\$ 178.60	\$ 82.60	86.04%
42	Commerical 2"	\$ 739.16	\$ 341.50	85.88%	\$ 245.83	\$ 113.71	86.07%
43	Commerical 3"	\$ 248.53	\$ 114.99	86.11%	\$ 186.13	\$ 86.17	86.20%
44	Commerical 4"	N/A					
45	Commerical 6"	N/A					
46	Commerical 8"	N/A					
47	Intentionally left blank						

(a) Reflects phase two rates.

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE		INCREASE		PERCENT	
48	Residential 5/8"	\$ 53.00	\$ 13.81	35.24%	\$ 38.92	\$ 10.29	35.94%
49	Residential 3/4"	N/A			N/A		
50	Residential 1"	\$ 69.15	\$ 17.98	35.14%	\$ 60.17	\$ 15.73	35.40%
51	Residential 1.5"	\$ 167.49	\$ 42.42	33.92%	\$ 123.97	\$ 32.05	34.87%
52	Residential 2"	\$ 186.38	\$ 47.12	33.84%	\$ 180.94	\$ 46.78	34.87%
53	Residential 3"	\$ 128.35	\$ 32.48	33.88%	\$ 121.95	\$ 31.95	35.50%
54	Residential 4"	N/A			N/A		
55	Residential 6"	N/A			N/A		
56	Residential 8"	N/A			N/A		
57	Commerical 5/8"	\$ 41.88	\$ 11.03	35.77%	\$ 30.76	\$ 7.11	30.06%
58	Commerical 3/4"	N/A			N/A		
59	Commerical 1"	\$ 79.68	\$ 20.61	34.89%	\$ 49.29	\$ 13.01	35.86%
60	Commerical 1.5"	\$ 154.34	\$ 39.64	34.56%	\$ 129.41	\$ 33.41	34.80%
61	Commerical 2"	\$ 753.68	\$ 356.02	89.53%	\$ 178.22	\$ 46.10	34.89%
62	Commerical 3"	\$ 180.42	\$ 46.88	35.10%	\$ 134.63	\$ 34.67	34.68%
63	Commerical 4"	N/A			N/A		
64	Commerical 6"	N/A			N/A		
65	Commerical 8"	N/A			N/A		
66	Intentionally left blank						